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In this issue

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Sanjeev Srinivasan
Managing Director & CEO
Bharti AXA General Insurance

"Ideally by December, if not by March 31, 2021, every account should have a PAN where needed and applicable and Aadhaar in every case."

Nirmala Sitharaman
Union Finance Minister

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From The Desk Of Editor-in-Chief

The Covid-19 pandemic has made macroeconomic management significantly more difficult. India is now facing a problem of plenty of Foreign exchange management. Rupee has been getting stronger vis-a vis dollar. The situation has improved due to less import in comparisons to export as well as cheaper import of crude oil from overseas.

Stock Market in India is reaching new heights inspite of the Covid situation and volatile economy. The BSE sensex is hovering around 44000 and NSE around 13000. It is quite amusing that in such a tepid situation where there is huge distress in economy, rising unemployment, bad shape of manufacturing, services sector the sensex is having no impact. Regulators must closely watch the market movements for any adverse scenario.

GST collection is improving since October, 2020 which is now around 1 lac crore. The collection will improve further as the economy comes back on track and the covid situation improves.

It has been suggested that Covid will lead to huge NPA's in banks due to loan defaults. But till now the situation does not seem to be very bad and in quite control. Banks should also understand the difficulty of borrowers and give them sufficient time to recoup from the situation.

Cooperative Banks in the country must be closely monitored by RBI. The Cooperative Banks off late has been in the news for wrong reasons for some time now. RBI must ensure independence in running of the banks and put more stringent checks and control on activities.

Contents

Banking News

Central Bank of India net profit rises 20%

Central Bank of India reported over 20 per cent rise in its net profit at Rs 161 crore for the second quarter ended September 30. The bank had posted a net profit of Rs 134 crore in the corresponding quarter of the previous financial year. Its total income grew nearly 2 per cent to Rs 6,833.94 crore during July-September 2020, against Rs 6,703.71 crore in the year-ago period.

Indian Overseas Bank registers net profit of Rs. 148 crore

Indian Overseas Bank (IOB) reported a net profit of Rs 148 crore for the second quarter of current fiscal as bad loans and provisions declined. The Chennai-headquartered lender had registered a net loss of Rs 2,254 crore in July-September quarter a year ago.

Banks report lower NPAs for September quarter

The ratio of non-performing assets (NPAs) to total loans has improved during the quarter ended in September 2020. According to a report by Care Ratings, the ratio of gross NPAs of banks has fallen to 7.7% from 8.2% in June and 7.9% in March 2020.

At the end of the second quarter, public sector banks, or PSBs (including IDBI Bank), reported their gross NPA ratio at 9.7% compared to 10.2% in June 2020. This is the first time in several quarters that PSBs are reporting single-digit gross NPAs. Private sector banks too reported a decline in NPA ratio at 5% from 5.5%.

BoB rolls out well-being programme for employees

Bank of Baroda announced that it has rolled out free and anonymous psychological counselling for 8000 odd employees on a pilot basis. The public-sector bank has a total of 84,000 employees nationally. The program will cover all employees in the Mumbai zone.

Prakash Vir Rathi, General Manager (human resource management),said that the coronavirus pandemic had raised stress levels among employees. The employee assistance program was aimed at alleviating stress among the bank's employees, especially younger employees. Around 60% of the bank's employees are aged between 18-35 years.

"They often face peer pressure, career and ambition issues, relationship / adjustment issues, etc. In such cases, expert counselling shall be of immense help in providing timely support to them for their emotional worries," said Rathi.

Sanjiv Chadha, managing director and chief executive of the bank said, "This counselling service offered by the Bank in tie-up with a specialized service provider is safe, non-judgmental, and highly confidential and is available to the employees and their family members 24/7".

UPI transactions surpass 2-billion mark in October

Unified Payments Interface (UPI), the flagship payments platform of the National Payments Corporation of India (NPCI), recorded over two billion transactions in October, a milestone that highlights the faster adoption of digital payments in a post-Covid-19 world.

The transactions, which had crossed the one-billion mark in the first 15 days of the month, amounted to Rs 3.86 trillion in October.

The NPCI data shows UPI registered 2.07 billion transactions, almost 82 per cent higher than the 1.14 billion transactions reported in the corresponding month last year.

Launched in 2016, it had crossed 1 billion transactions for the first time in October 2019. While it took UPI three years to reach a billion transactions in a month, the next billion came in just a year.

UPI has rebounded sharply from its fall in April, when it recorded 0.99 billion transactions as the pandemic-induced lockdown forced people to cut spending. Since then, transactions have more than doubled, despite the economy witnessing a contraction in the first quarter.

LVB has enough liquidity to pay back depositors: Administrator

The terms of the amalgamation of Lakshmi Vilas Bank (LVB) with DBS Bank have upset stock investors, leading to a 20 per cent crash in LVB shares to Rs 12.40 on the BSE. The Administrator appointed by the Reserve Bank of India (RBI) for LVB, T N Manoharan, assured depositors that the bank has enough liquidity to pay back their money deposited in the bank.

The draft scheme of amalgamation has said the transferor bank (LVB) "shall cease to exist by operation of the scheme, and its shares or debentures listed in any stock exchange shall stand delisted." This means LVB shares will be written off as per the terms of the scheme. The bank had a market capitalisation of nearly Rs 500 crore.

Assuring that the depositors' money is safe, Manoharan expressed confidence of completing its merger with DBS Bank India within the 30-day deadline set by RBI. He added that LVB has Rs 20,000 crore in deposits and Rs 17,000 crore in advances. "The top priority of the bank is to assure depositors that their money is safe and that the bank has enough liquidity to pay back the depositors," he said during a conference call.

He added that all LVB employees will retain their jobs at the same remuneration after the merger. "Will try to ensure there is no shortage of cash at any bank branches," said Manoharan, adding that there has been no run on deposits in the bank.

According to the RBI scheme, on and from the appointed date, the entire amount of the paid-up share capital and reserves and surplus, including the balances in the share or securities premium account of the transferor bank,

will stand written off. The promoters hold 6.80 per cent of the equity capital while the balance is held by retail and big investors.

"We believe a merger would be beneficial for DBS Bank as it would be able to grow business in the south ... In this merger, shareholder of LVB will not get any benefit," said Jaikishan Parmar, senior research analyst, Angel Broking.

RTGS payment available 24x7 from Dec

The Reserve Bank of India, announced that the Real-Time Gross Settlement (RTGS), which is used for large-value fund transfers, will be available round-theclock from December .

At present, RTGS, which has a minimum fund transfer of Rs. 2 lakh, is available for customers from 7.00 am to 6.00 pm on all working days of a week (except the second and fourth Saturdays).

"With this, India will be one of the very few countries globally with a 24x7x 365 large-value real-time payment system," said RBI Governor Shaktikanta Das.

"To support the ongoing efforts aimed at global integration of Indian financial markets, facilitate India's efforts to develop international financial centers, and to provide wider payment flexibility to domestic corporates and institutions, it has been decided to make available the RTGS system round-the-clock on all days," said the Statement on Developmental and Regulatory Policies.

In December last year, the National Electronic Funds Transfer (NEFT) system was made available on a 24x7x365 basis.

Mahesh Ramamoorthy, Managing Director, Banking Solutions, International Market, APAC, FIS, said the move would enable India to become an integral part of the global financial markets and provide wider payment elasticity to domestic companies and institutions.

"The RBI initiative will also enable almost all businesses to operate 24X7, with a payment system that supports trade and commerce," he said.

Airtel Payment Bank joins hands with Bharti AXA General

Airtel Payments Bank has partnered with Bharti AXA General Insurance to offer comprehensive car insurance to the payments bank's customers.

The Smart Drive Private Car Insurance offers financial protection against damage to the vehicle due to accident, theft, and natural and man-made disasters. Airtel Payments Bank's customers can purchase the Bharti AXA car insurance policy within five minutes using a paperless, secure, and quick process through the Airtel Thanks app. Airtel Payments Bank, the country's first payments bank, has over 3 crore customers.

The car insurance offered through Airtel Payments Bank also compensates for injury or damage to another person or property caused due to a car accident. The insurance comes with a personal accident cover for the policyholder. In the event of an accident leading to permanent disablement or loss of life, the policy ensures financial protection for the family.

"Motor insurance being mandatory in the country constitutes an important requirement for millions of car users. We are delighted to partner with Bharti AXA General Insurance to offer this comprehensive car insurance," said Ganesh Ananthanarayanan, COO, Airtel Payments Bank.

Bharti AXA General Insurance Managing Director and CEO, Sanjeev Srinivasan, said: "As part of our partnership with Airtel Payments Bank and strong synergies of customer-centricity, we are offering innovative motor insurance products to its customers through a seamless journey from the purchase to the claim process. The strategic alliance will also help us reach out to the growing customer base of the bank and secure them."

PMC Bank fraud case: ED attaches hotels worth Rs. 100 crore in Delhi

The Enforcement Directorate (ED) has attached three hotels worth around Rs 100 crore in Delhi in connection with its money laundering probe in the PMC Bank fraud case, the central agency said.

The three hotels have been identified by the agency as the Fab Hotels group and are located in Kailash Colony, East of Kailash and Kalkaji areas of the national capital.

"The attached three hotels are owned by Libra Realtors Pvt Ltd, Deewan Realtors Pvt Ltd, Rakesh Kumar Wadhawan, Romy Mehra, Libra Hotels Pvt Ltd and its directors," the agency said in a statement.

It said the "market value" of these three properties is about Rs 100 crore.

The agency said its probe found that "proceeds of crime totalling Rs 247 crore were obtained fraudulently by Libra Realtors Pvt Ltd, Deewan Realtors Pvt from PMC Bank in the guise of loans".

"These loans are part of the Rs 6,117 crores owed by HDIL group of companies to the PMC Bank," the ED claimed.

The ED had filed a PMLA case to probe the alleged loan fraud in the Punjab and Maharashtra Co-operative (PMC) Bank in October last year against Housing Development Infrastructure Ltd (HDIL), its promoters Rakesh Kumar Wadhawan, his son Sarang Wadhawan, its former chairman Waryam Singh and ex-managing director Joy Thomas.

The Wadhawan father and son were also arrested by the ED last year in this case and they are in judicial custody at present.

SBI Card launches new credit cards along with Paytm

SBI Cards and Payment Services (SBI Card) said it has launched credit cards in partnership with Paytm. Available in two variants, Paytm SBI Card and Paytm SBI Card SELECT, the product has been launched on the Visa platform. The objective of this partnership is to bring 'new to credit' users into the formal economy.

Banks cannot deny copies of account statements to the customer, says DRT

The Debt Recovery Tribunal (DRT) in Chennai has pronounced two major orders. One, banks cannot deny the copies of account statements to customers. Two, in an auction deal, the authorised officer has no power to extend timeline for payments by the purchaser.

NV Badarinath, DRT's Presiding Officer, pronounced in its order dated September 14 that banks cannot deny furnishing copies of accounts statements to customers.

The order was pronounced onaplea filed by MSME borrowers for furnishing statements from an SME branch of State Bank of India in Chennai.

The order highlighted that every bank customer is entitled to have copies of his/her statement of account(s) from his banker, and the bank is under contractual obligation to furnish them to its customers.

Banks may charge for the copies, but cannot deny customers the right to have a copy of the statement of account by virtue of the contract of lending entered between the bank and the customer.

This right cannot be denied to the borrower, even in cases where the borrower has discharged the debt or defaulted in discharging the debt due to the bank, it pointed out.

"Needless to say that transparency and accuracy in maintaining the accounts of its customers is the fundamental duty of any bank. Breach of this 'duty' would result in breach of 'trust' reposed in the bank. Insofar as the present case is concerned, the direction supra, to the respondent bank, is nothing but an opportunity to establish that the bank had not breached this important 'duty' and that it always maintains transparency and accuracy in the accounts of its customers," the order said. The DRT, through another order, also clarified whether the authorised officer has the power to extend the time to deposit balance 75 per cent of sale price by the auction purchaser.

The DRT order said neither the SARFAESI Act nor the rules made there under empower the authorised officer to extend the time for deposit or the purchaser to enter into an agreement with the authorised officer for extension of time for deposit of the full or part of the 75 per cent sale price.

On the contrary, the law and rules mandate that the extension of time for payment of 75 per cent of the balance sale consideration shall be by entering into a written agreement between the secured creditor and the purchaser, it stated.

PSBs to float company for doorstep banking

Public sector banks (PSBs) are working towards floating a company to house the operations of their recently launched PSB Alliance for Doorstep Banking (DSB) initiative.

In a move that could prove to be a game-changer vis-a-vis how banking services are offered and consumed, all 12 PSBs under the aegis of the Indian Banks' Association (IBA), have joined forces to initially offer 10 non-financial services at customers' doorstep.

These services are being offered through DSB agents at 100 top deposit centres across the country. These banks are also planning to scale up the number of centres where DSB services will be available down the line.

This move by the 12 PSBs to jointly start a company for providing DSB service comes amid cut-throat competition in the banking space, with private sector banks nibbling away at their dominant market share in deposits and advances in the last few years.

This initiative could help PSBs retain and win back lost market share.

IBA is looking to fill the position of Chief Executive Officer (CEO) for the company, which will eventually run PSB Alliance for DSB.

Currently, one senior official each from the 12 PSBs, have been deputed to IBA to coordinate the day-to-day operations of PSB Alliance for DSB.

Under the initiative, customers are offered a pick-up facility for certain non-financial services - cheque, draft, pay order, new cheque book requisition slip, 15G/15H Form, IT/GST challan, and standing instruction request. Further, the feet-on-street (agents), too, deliver certain non-financial services - account statement; non-personalised cheque book, draft, pay order; term-deposit receipt, acknowledgment, etc; TDS/ Form 16 certificate issuance, and pre-paid instrument/ gift card.

Cash withdrawal and deposit facilities will also be offered starting next month.

Specifically, the target customers for DSB are senior citizens, defense personnel, Central Reserve Police Force personnel, widows, differently-abled, students, salaried employees, shopkeepers and street vendors.

All service requests generated (via mobile app, web portal and toll free number) by PSB customers up to 1500 hours will be completed within three hours of request generation.

Service requests generated after 1500 hours will be completed by 1300 hours next working day.

DSB services are chargeable, with the current rate being Rs. 75 plus GST per financial/ non-financial service.

The 12 PSBs, which are part of the PSB Alliance for DSB (anchored by UCO Bank), have engaged Atyati Technologies Pvt Ltd and Integra Microsystem Pvt Ltd to provide ' DSB through Universal Touch Points' facility to their customers.

FM sets out bank account-Aadhaar linking deadline

Union Finance Minister Nirmala Sitharaman asked all banks to ensure all bank accounts are Aadhaar-seeded by March 31, 2021 and linked with PAN cards wherever necessary.

Addressing the annual general meeting of the Indian Banks' Association, the Finance Minister said, "Ideally by December, if not by March 31, 2021, every account should have a PAN where needed and applicable and Aadhaar in every case."

Sitharaman also advised banks to issue RuPay cards as the first option to customers. Urging bankers to promote RuPay cards, she said National Payments Corporation of India can become a brand India product. Whenever issuing a card, you must first issue a Rupay card, the Finance Minister said in her virtual address.

"Whoever needs the card, RuPay will be the only card you will promote," she said. She said there should not be any unverified account in the system. "I will not be patient to hear that there still exist accounts which are not Aadhar seeded, and linked with PAN cards wherever needed beyond December 31.

The deadline could be extended till March next year at the maximum, she clarified later. Sitharaman said the financial inclusion story is not over and banks still have inclusion to carry forward.

IBA, unions settle on 15% pay hike

Over eight lakh employees from 29 banks will get a wage hike of 15 per cent involving an outgo of Rs 7,900 crore for the banks. Both the sides agreed to implement the concept of Performance Linked Incentive scheme for the first time from the current fiscal.

The Indian Banks' Association (IBA), the apex body of the banks, concluded the 11th bipartite wage negotiations with bank unions and associations, which will be effective from November 1, 2017. "The agreement reached today, provides for 15 per cent increase in pay slip. To inculcate a sense of competition and also to reward the performance, the concept of Performance Linked Pay has been introduced for the first time," IBA Chief Executive Sunil Mehta said.

A detailed bipartite settlement/joint note has been signed with United Forum of Bank Unions (UFBU) representing four workmen unions and four officers associations and also Bank Karamchari Sena Mahasangh (BKSM) who were parties to agreement, IBA said.

Of the total wage outgo, the Rs 3,385 crore wage bill hike is for non-officers, while the rest is for officers. The wage agreement is for the period November 2017 and will run till October 2022. However, there was no decision on five-day week for bank employees.

The Performance Linked Incentive scheme in public sector banks will be based on operating profit/net profit of the individual bank. It is optional for private and foreign banks. In the previous wage settlement, signed in May 2015 for the November 2012-October 2017 period, the IBA had offered a 15 per cent hike.

IBA initially offered a pay hike of 12 per cent which was rejected by the bank unions. Salary and wage revision in the banking sector takes place through a wage revision settlement between the workers and management. This wage revision agreement in the banking industry is valid for five years only.

SBM Bank to launch neo-banking platform

SBM Bank India, which is the wholly-owned subsidiary of State Bank of Mauritius, is focussing on technology to reach out to customers and is set to launch a neo-banking platform.

"We are launching neo banking. We have tied up with a fintech," said Neeraj Sinha, Head - Retail and Consumer Bank at SBM Bank (India), adding that the bank is looking at collaborative banking in other segments as well where companies may have access to large number of customers but do not have a banking licence. "We are piloting with fintech Pay Nearby. We have launched a service called Nivesh, which is a recurring deposit platform," Sinha told.

SBM Bank India was the first foreign bank in India to obtain a banking licence from the Reserve Bank of India to operate as a wholly-owned subsidiary in January 2019.

"The attitude we started with was that we want to build a bank in India as a fintech with a banking licence. Unlike other foreign banks, we have decided to go the whole hog. The most difficult choice was the strategy we wanted to do," said Sinha, adding that the pandemic and lockdown have proven to be a big leveller as to some extent it does not matter how many branches and ATMs a bank has. As part of its strategy, the bank is focussing on providing top-of-the-line services to the affluent and emerging affluent in India and their counterparts would be NRIs with relations in India.

"We are careful about the segment we go to, we are not choosing the mass or the super affluent segment. We want to work with the affluent who need to be treated as a super affluent, but needs a lot more guidance," he said. The bank has over 8,000 customers and seven bank branches and five ATMs.

HDFC Bank capable of handling downside risks

Standard and Poor's, global rating agency said that India's largest private lender, HDFC Bank, has sufficient financial headroom to withstand downside risks from tough operating conditions in India. "HDFC Bank's result for the first half of 2020-21 (the financial year that will end on March 31, 2021) are resilient and in line with our expectations," S&P said in a statement.

HDFC Bank has ample capital buffers, as reflected in its Tier-i capital ratio of 17.7 per cent as on September 30, 2020. The bank's S&P Global Ratings risk-adjusted capital ratio will be 8.5-9 per cent over next two years, compared with 9.4 per cent as on March 31, 2020.

Reserve Bank News

Large NBFCs can become banks: RBI

The Reserve Bank of India has said that there is a case for systemically important non-banking finance companies (NBFCs) beyond a certain size to convert into banks and subject them to the same prudent regulatory framework. This arrangement will enable a regulation-light structure to continue for most NBFCs that gives them the flexibility to serve the last-mile consumers.

"The spill-over of risks from a systematically important NBFC capable of transmitting perceptible impact on financial stability must be dealt with in a proportionate manner. So, NBFCs with significant externalities and which contribute substantially to systemic risks must be identified and subjected to a higher degree of regulation," said RBI deputy governor M Rajeshwar Rao..

Household financial savings rise to 21.4% of GDP: RBI report

RBI preliminary estimates show a jump in household financial savings to 21.4 per cent of the gross domestic product (GDP) in the first quarter of 2020-21, up from 7.9 per cent in Q1 and 10 per cent in the fourth quarter of 2019-20.

"The sharp increase is counter-seasonal and may be attributed to the Covid-19-led reduction in discretionary expenditure or the associated forced saving and the surge in precautionary saving despite stagnant/reduced income," the Reserve Bank of India (RBI) said, explaining the reasons for the rise in savings.

The yawning gap between credit extended and deposits mobilised during Q1FY21 contributed to the spike in household financial savings as the financial instruments relating to banks continue to dominate the household financial assets and liabilities, it said. Significantly, the RBI report also mentioned the "irrational exuberance" in the equity market, driven by monetary and fiscal policy measures undertaken in the context of the pandemic.

"Irrational exuberance in domestic equity markets extended into October 2020, driven by monetary and fiscal policy measures undertaken in the context of the pandemic as well as better than expected corporate earnings in Q2 of 2020-21, it said.

"Banking, finance and information technology (IT) stocks powered the surge. The benchmark index (Sensex) crossed a seven-month high in the first week of October, and rallied further in ensuing days, recouping 52 per cent of the losses suffered on March 23," it said. In August, RBI Governor Shaktikanta Das had said there was a clear disconnect between the sharp surge in stock markets and the state of the real economy, as surplus global liquidity was driving up asset prices across the world.

Reserve Bank proposes to merge LVR with DBS Bank India

Finance Ministry approved the merger of capital-starved Lakshmi Vilas Bank (LVB) with DBS Bank India. The Reserve Bank of India on 17 November proposed the merger of the 94-year-old lender with the Indian arm of Singapore's DBS Bank. As part of the amalgamation, DBIL will infuse fresh capital of Rs. 2,500 crore into LVB.

The central bank on 17 November placed Lakshmi Vilas Bank under one-month moratorium, superseded its board and capped withdrawals at Rs. 25,000 per depositor. "With the merger, there will no further restrictions on the depositors regarding the withdrawal of their deposit," Union minister Prakash Javadekar said.

Analysts and global credit rating agencies have applauded RBI's move and said that it will benefit both parties. "The quick action taken by the RBI in the Laxmi Vilas Bank matter affirms the faith of the depositors in the banking system," Ajay Shaw, Partner, DSK Legal.

"LVB merger with another bank is a very prudent step in order to save the depositors and to mitigate the systematic disruption associated with it. The image of government and regulator gets enhanced by such timely action and response," said S Ravi, former chairman of Bombay Stock Exchange (BSE) and Managing Partner of Ravi Rajan & Co.

DBS was the first foreign bank to receive a banking licence after the central bank allowed foreign banks to set up a wholly owned subsidiary in 2014. "With DBS likely to use digital capabilities to enhance its physical footprint in India, the proposed deal could lead to a 30-40% increase in Indian assets of DBS," said JPMorgan analysts Harsh Wardhan Modi and Saurabh Kumar.

The regulator had put LVB under Prompt Corrective Action in September 2019. The lender earlier reported widening of its net loss at Rs. 397 crore in the second quarter ended September 2020 due to rise in bad loans and provisions. On 25 September, the shareholders of the bank had voted out seven members from the board, including the then MD and CEO S Sundar. The RBI on 27 September appointed the CoD composed of three independent directors Meeta Makhan, Shakti Sinha, and Satish Kumar Kalra, being headed by Meeta Makhan.

Moody's said the merger will strengthen DBS's business position in India by adding new retail and small and medium-sized customers.

Kris Gopalakrishnan appointed first Chairperson of RBI Innovation Hub

The Reserve Bank of India has appointed Senapathy (Kris) Gopalakrishnan, co-founder and former co-Chairman, Infosys, as the first Chairperson of the Reserve Bank Innovation Hub (RBIH).

The central bank, in its Statement on Developmental and Regulatory Policies issued on August 6, 2020, had announced that it would set up an Innovation Hub to promote innovation across the financial sector by leveraging on technology and creating an environment which would facilitate and foster innovation.

RBIH will be guided and managed by a Governing Council (GC) led by a Chairperson. Besides Gopalakrishnan, RBIH's Governing Council will have nine other members including a CEO (to be appointed); Ashok Jhunjhunwala, Institute Professor, IIT, Madras; H. Krishnamurthy, Principal Research Scientist, IISc., Bengaluru; Gopal Srinivasan, CMD, TVS Capital Funds; A.P. Hota, Former CEO, National Payments Corporation of India.

The RBI, in a statement, said the RBIH would create an eco-system that would focus on promoting access to financial services and products. This will also promote financial inclusion.

The Hub will collaborate with financial sector institutions, technology industry and academic institutions and coordinate efforts for exchange of ideas and development of prototypes related to financial innovations.

RBI and Sebi probe LVB share deals

The Reserve Bank of India and the Sebi are investigating whether some large shareholders of Lakshmi Vilas Bank (LVB) bought shares of the troubled lender through proxy entities beyond the regulatory cap in the middle of its search for a buyer according to sources.

The probe began after RBI received complaints that some large LVB shareholders bought shares through proxy entities beyond the permissible limit from the open market to raise their holding for greater control over the lender. Under RBI norms, a single entity can only buy less than 5% in any private bank without its prior approval.

"The regulators are investigating whether some of the existing shareholders have been purchasing equity in LVB through some proxy entities to work around the RBI cap. While the equity capital has been extinguished, the regulators are trying to find out if there were any wrongdoing," said one of the two people cited above, both of whom spoke on condition of anonymity.

According to the second person, the probe aims to determine whether these shareholders were trying to exert more influence over the board through these proxies. "Some of the shareholders had a lot of say in the bank's functioning, and perhaps the proxies were used to bolster their stands in board meetings," he said.

At the time its share capital was wiped out by the banking regulator as part of a rescue plan, promoter entities held 6.8% in LVB, while the rest 93.2% was owned by public shareholders, both small and large. Public shareholders included foreign portfolio investors like India Opportunities Growth Fund Ltd-Pinewood Strategy (3.74%) and Aviator Emerging Market Fund (2.49%); non-bank financiers like Srei Infrastructure Finance Ltd (3.34%), Prolific Finvest Pvt. Ltd (3.36%) and Indiabulls Housing Finance Ltd (4.99%), among others.

RBI bond write-off in LVB, will affect other banks

The write-off of Rs 318-crore tier-II bonds by Lakshmi Vilas Bank (LVB) ahead of its merger with DBS Bank is a precedent set by the Reserve Bank of India (RBI) and will hurt the private sector lender's peers, according to a report. During the Yes Bank rescue earlier this year also, there was an over Rs 7,000-crore bond write-off, but that involved a different instrument called additional tier-I bonds.

In the case of LVB, which is being merged with DBS in a scheme proposed by the RBI, investments of Rs 318.20 crore in bonds issued by LVB will be written-off, the lender informed the exchanges late Thursday night.

"RBI has set a precedence with the proposed write-off as it's first time a tier-II bond is being written off," ratings agency ICRA said in the report.

The agency added that investors should factor in the risk in Basel-III instruments, as these instruments can be completely written off in case the bank gets into trouble.

"We expect the risk premiums for such instruments to increase for weaker private banks to increase, given this event," the ratings agency said.

In an exchange filing, the bank said the RBI has advised it of the need to fully write down the Series VIII, Series IX and Series X Basel-III-complaint tier-II bonds before the amalgamation with DBS Bank comes into effect on Friday.

"If the relevant authorities decide to reconstitute the bank or amalgamate the bank with any other bank under the Section 45 of the Banking Regulation Act, such a bank shall be deemed as non-viable and both the pre-specified trigger and the trigger at the point of the point of non-viability for write-down of bonds shall be activated.

"Accordingly, the bonds shall be written off before amalgamation or reconstitution in accordance with applicable rules," according to the terms of the information memorandum of the respective Basel-III Tier-II bonds issued by the bank, LVB said.

Hence, such Basel-III tier-II bonds would need to be fully written down before amalgamation of the bank comes into effect, LVB said quoting Thursday's letter from the RBI.

Recently, the RBI notified the effective date of merger of November 27 soon after the Union Cabinet headed by Prime Minister NarendraModi approved the Scheme of Amalgamation of LVB with DBS Bank India Ltd (DBIL).

The RBI superseded LVB's board on November 17 after the private sector lender was placed under a 30-day moratorium restricting cash withdrawals at Rs 25,000 per depositor.

The RBI simultaneously placed in public domain a draft scheme of amalgamation of LVB with DBIL. Started by a group of seven businessmen of Karur in Tamil Nadu under the leadership of V S N Ramalinga Chettiar in 1926, LVB now has 566 branches and 973 ATMs spread across 19 states and Union territories.

With non-performing assets (NPAs) soaring, the bank was put under the prompt corrective action framework of the Reserve Bank of India (RBI) in September 2019.

LVB is the second private sector bank after Yes Bank that has run into rough weather this year. In March, capital-starved Yes Bank was placed under a moratorium. The government rescued Yes Bank by asking State Bank of India (SBI) to infuse Rs 7,250 crore and take 45 per cent stake in the lender.

RBI postpones submission of TLTRO reversal requests

Banks are not willing to reverse the money taken under targeted long term repo operations (TLTRO) in favour of low cost TLTRO, which comes with some riders.

The Reserve Bank of India again postponed the date of submission for requesting the reversal of the money taken from the central bank to invest in corporate bonds and commercial papers. The idea was that the banks would reverse the money, taken at repo rate that time, in favour of repo rate now.

The rates have come down by more than 100 basis between these two points. The new TLTRO, however, came with a condition that the on-tap fund availed under the route should be invested in papers issued by companies in the agriculture, agri-Infrastructure, secured retail, micro, small and medium enterprises (MSMEs), drugs, pharmaceuticals and in healthcare.

The on-tap TLTRO scheme would remain operational till March 31, and all banks are eligible to participate. ❑

Industry News

Separate power supply channel for industries on cards

The power ministry is looking to create a separate electricity distribution channel for industries, as part of the 'Make In India' push and in a bid to provide incentives to companies. The department has proposed creation of "industrial hubs" across states, which will have their own power supplier.

Rs. 1.5 lakh cr. incentives to boost mfg in 10 sectors

The government announced production-linked incentives (PLIs) of a little under Rs 1.5 lakh crore to support domestic manufacturing in 10 sectors.

The move is aimed at helping labour-intensive sectors such as textiles, food and automobiles and its components as well as high-end goods such as advanced batteries, including hydrogen fuel cells, and solar cells, while reducing the import of electronics, pharmaceuticals, speciality steel, white goods and telecom and networking equipment.

"It will give the right impetus to the economy because we are looking at 'atmanirbharta', making sure that India will be a part of the global value chain and ensuring that critical sunrise sectors get the necessary support from the government so that we are able to build a strong India that is able to service its own domestic market and also link up with the global value chains," Finance Minister Nirmala Sitharaman said after the scheme was cleared by the Union cabinet.

Stricter rules for NGOs receiving foreign funds

The government has revised the Foreign Contribution (Regulation) Rules, 2011 to make rules stricter for foreign funded NGOs, requiring all entities seeking registration or prior permission under FCRA to be in existence for three years, and for them to have spent at least Rs. 15 lakh on core activities for the benefit of society during the last three fiscals. A sub-rule redefines which are to be deemed of 'political nature', debarred from foreign funds.

14 nations sign biggest free trade agreement

Fifteen Asia-Pacific nations including China aim to clinch the world's largest free-trade agreement recently, the culmination of Beijing's decade-long quest for greater economic integration with a region that encompasses nearly a third of the global gross domestic product.

The Regional Comprehensive Economic Partnership, which includes countries stretching from Japan to Australia and New Zealand, aims to reduce tariffs, strengthen supply chains with common rules of origin, and codify new e-commerce rules. Its passage may disadvantage some US companies and other multinationals outside the zone, particularly after President Donald Trump withdrew from talks on a separate Asia-Pacific trade deal formerly known as the Trans-Pacific Partnership.

GSTN can now handle up to 3 lakh users

The GST Network's infrastructure has been upgraded to handle up to three lakh logged in users at a time, GSTN said.

Besides, the Goods and Services Tax Network (GSTN) has introduced auto-populated sales return form GSTR-3B in PDF form which will be available from October 2020 tax periods onwards.

The complete PDF with auto population of input tax credit will be available on the common portal (GSTN) from November 12, GSTN said in a statement.

GSTN said it has augmented the capacity of the gateway from 1.5 lakh to 3 lakh concurrent logged in taxpayers to handle the expected sharp surge in the indirect tax-related activities on the portal after easing of lockdown.

Goldman sachs upgrades India economic forecast

Foreign brokerage Goldman Sachs upgraded its India gross domestic product (GDP) forecast to a contraction of 10.3 per cent in FY21, as against its earlier estimate of negative 14.8 per cent growth. The United States - based firm said developments on the vaccine front - where two candidates have posted satisfactory progress - will be very helpful in the recovery. The Reserve Bank expects India's GDP to contract by 9.5 per cent on real basis in the ongoing fiscal year.

Morgan stanley sees Sensex at 50,000-milestone in 2021

Morgan Stanley expects the benchmark Sensex top the 50,000 milestone by end of next year. The brokerage believes the economic growth cycle is not fully priced in. It has revised upwards the earnings per share (EPS) estimate for Sensex. Earlier, the brokerage had a target of 37,300 for June 2021.

At 50,000, the Sensex would trade at 16 times its estimated FY21 earnings- which the brokerage projects will be 15 per cent higher than FY20.

"We remain in a bull market that started in March, and even though one should expect corrections along the way, the equity market may have more legs before it tops out. We raise EPS estimates and index target," said Morgan Stanley equity strategist Ridham Desai and Sheela Rathi in a note.

Aggregators may give 1-2% of turnover or 5% of wages to social security fund

Aggregators such as Ola, Uber, Swiggy and UrbanClap will need to deposit 1-2% of their annual turnover or 5% of the payment to workers on their platforms, whichever is lower, to the proposed fund to provide social security benefits to such staff. The government is in favour of setting the contribution at the lower end of the band, an official said.

The labour ministry published draft rules for operationalising provisions in the Code on Social Security, 2020, passed by Parliament in September. The code envisages a social security fund for unorganised, gig and platform workers, among other measures. Under the draft rules, they will be able to register themselves through Aadhaar on a government portal to avail of benefits from the fund. A dedicated scheme for gig and platform workers will be formulated soon after getting feedback, said the official cited above.

The scheme can provide disability cover, accident insurance, health and maternity benefits and old age protection among other measures. The schemes will be funded by contributions to the social security fund. The central and state governments can also contribute to it, apart from the platforms. Currently, unorganised gig and platform workers are not eligible for any social security benefits.

PFRDA: Govt should make employers' share tax free

Pension fund regulator PFRDA will propose to the government to make employers' contribution of 14% under NPS tax free for all categories of subscribers in the next Budget, chairman Supratim Bandyopadhyay said.

Employers' contribution of 14% in pension under the National Pension System (NPS) scheme for the central government employees was made tax free from April 1, 2019.

"We may propose things like 14% contribution by employers to be made tax free to all. Currently, it is given only to the central government employers.

"So we are requesting the government to give it to all the employers, whether it is state governments or other corporate entities, so that subscribers across the board can get this benefit," Bandyopadhyay told.

The PFRDA Chairman said states are asking that the 14% tax benefit be given to state government employees also. He said some state governments have written to the Authority requesting the same.

Besides, the Pension Fund Regulatory and Development Authority (PFRDA) will ask the government to extend the benefit of tier-II NPS account as tax free for all subscribers.

Recently, the facility was granted to the central government employees.

"There is this tier-II NPS account which was made tax free exclusively for the central government employees recently. So there also, we would request the government to give the facility to all the subscribers. In the tax-free tier II account we are keeping a lock-in period of 3 years because you are getting the tax-free status...And we want it to be extended to all the other employees," he added.

A tier-II account under NPS is not a compulsory account, one can have it along with the tier-I account, he said, adding the benefit with tier II account is that it can be withdrawn immediately.

Last month, the Finance Ministry had kicked off the exercise to prepare the Budget for 2021-22 amid the urgency to revive the economy hit by the COVID-19 pandemic.

Russian firm looks to buy Reliance Naval

Most shipbuilding companies are backing away from purchasing Anil Ambani's Reliance Naval and Engineering Ltd (RNaval), which is being sold to pay its debts.

However, Russia's state-owned United Shipbuilding Corporation (USC) remains interested. Responding to a media report last month that said USC had opted out of the bidding process, the Russian Embassy in India clarified: "USC has never officially indicated its refusal to participate in the tender."

Norms allowing Indian companies to list on select foreign bourses to be notified soon

Indian companies will soon be able to get listed directly on foreign stock exchanges as the Ministry of Corporate Affairs is set to notify regulations allowing Indian companies to get listed in select foreign jurisdictions, according to government officials.

Currently, Indian companies are able to list their shares on foreign stock exchanges through Global Depository Receipts and American Depository Receipts. As part of the Companies Amendment Act, 2020 passed in the monsoon session of Parliament, an enabling provision was brought by the government allowing certain companies to list securities in foreign jurisdictions.

"The conditions under which companies will be allowed to list directly on foreign exchanges will be based on meeting certain thresholds including average profit over the past three years, paid-up share capital, securities premium and the value of intangible and tangible assets of the company," said a government official aware of developments.

The official said a company would likely be required to meet any three of six such criteria to be eligible for direct foreign listing.

The ability for Indian companies to list ordinary shares on foreign exchanges is expected to help them get better valuations, besides being an alternative source to raise capital. The Centre had received representations seeking provisions to all companies to directly list securities on foreign bourses, especially from start-ups.

The official also said that initially, companies would only be permitted to list in the US, UK, Japan, South Korea, Germany and Canada and that the Ministry would progressively add to the list of permissible jurisdictions.

Another government official noted that certain issues regarding foreign listing still needed to be ironed out and that companies being listed abroad may need to publish two sets of financial statements to deal with any differences in regulatory requirements between India and the jurisdiction in which they are being listed.

"In the case of other regulations, it is likely that they would have to follow the stricter of two regulations," said the official.

Draft rules under code on social security released

The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 for comments from stakeholders. The draft rules are linked to provisions relating to Employees' Provident Fund Organisation (EPFO), Employees' State Insurance Corporation (ESIC), National Social Security Board for unorganised workers, gig workers and platform workers outlined in the Code on Social Security.

The draft rules provide for Aadhaar-based registration including self-registration by unorganised workers, gig workers and platform workers on the portal of the Central government, the Ministry said in a statement.

For availing any benefit under any of the social security schemes framed under the Code, an unorganised worker or a gig worker or platform worker shall be required to be registered on the portal with details as may be specified in the scheme, it said.

The rules also provide for Aadhaar-based registration of building and other construction workers (BOCW) on the specified portal of the Central government and the state government or the State Welfare Board. When a building worker migrates from one state to another, he shall be entitled to get benefits in the state where he is currently working, and it shall be the responsibility of the Building Workers Welfare Board of that state to provide benefits to such a worker, the statement added.

Provision has also been made in the rules regarding gratuity to an employee who is on fixed-term employment. The rules also provide for single electronic registration of an establishment, including cancellation of the registration in case of closure of business activities. Provision has also been made for the manner and conditions for exiting an establishment from EPFO and ESIC coverage, it said.

The procedure for self-assessment and payment of cess in respect of BOCW has been specified in the rules. For the purpose of self-assessment, the employer shall calculate the cost of construction as per the rates specified by the State Public Works Department or Central Public Works Department or on the basis of return or documents submitted to the Real Estate Regulatory Authority, the statement said.

The rate of interest for delayed payment of such cess has been reduced from 2 per cent every month or part of a month to 1 per cent.

NSE settles claims worth Rs. 2,300 cr of 2.35 lakh investors

The National Stock Exchange has said that it has settled claims worth Rs. 2,300 crore of nearly 2.35 lakh Karvy Stock Broking Ltd investors. Investors with fund balances up to Rs. 30,000 due from Karvy have been settled, the NSE said.

On November 22, 2019, market regulator SEBI had banned Karvy for default on client dues worth more than Rs. 2,000 crore.

Karvy Stock Broking Ltd was disabled (trading rights withdrawn) on December 2, 2019, the NSE said.

The exchange has now said that it has transferred securities to respective clients, invoked bank guarantees deposited with clearing corporations and liquidated securities held by Karvy Group.

"While disciplinary proceedings are underway, funds and securities of approximately Rs. 2,300 crore belonging to about 2,35,000 investors have been settled so far, with efforts focussed on settlement of small investors. Investors with fund balances up to Rs. 30,000 due from Karvy Stock Broking Ltd have been settled," NSE said.

SEBI had found that Karvy misused the power of attorney (PoA) given to it by its clients for buying and selling of shares.

Instead, SEBI alleged that Karvy had used the PoA to divert client shares into its demat account and further pledged those shares to avail itself of loan.

As an immediate reaction, SEBI had asked Karvy to reverse the pledged shares.

India gets mega infra loan from Germany

German development bank KfW has approved a loan of •545 million to the Union finance ministry to fund Mumbai's Metro Line 4 and Line 4A, to expand the mass rapid transit system of the largest metro railway network worldwide.

The pact was signed after a year of negotiations with the agency. It is KfW's single largest credit line to an infrastructure project in India.

The credit package from the German Federal Ministry for Economic Cooperation and Development (BMZ)-KfW consists of a development loan of •345 million and a promotional loan of •200 million. The interest rate will vary from 0.07% to 0.82% across different tranches. This will be the lowest rates of interest on any loan given to an infrastructure project in India by a bilateral or multilateral funding agency.

Metro Line 4 from Wadala to Kasarvadavali and Line 4A from Kasarvadavali to Gaimukh will connect the island city to the northern suburb of Thane. This is part of the Mumbai Metropolitan Region Development Authority's plan to build a 337-km metro rail network. At present, 118 km of metro lines are in various stages of construction, while 11km is operational.

Foreign entities must have PAN for paying equalisation levy: CBDT

Foreign entities operating e-commerce platforms in India or having access to Indian market will be mandated to have permanent account numbers (PAN) for paying up equalisation levy.

"An e-commerce operator will be a "non-resident who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both," the CBDT said in the notification issued.

Foreign entities such as Amazon (global operations), Netflix, Airbnb, Coursera, LinkedIn and others that offer services in India from outside the country are covered by the levy and will need to comply with the new rules that also include ecommerce operators. Entities established in India under the Companies Act are exempt and so are those with gross receipts below

Rs. 2 crore from ecommerce operations. The levy won't apply to Flipkart as its ecommerce operations are carried out by Indian-registered entity, which is subject to local taxes.

Top 1,000 listed firms must have risk management committee: SEBI

SEBI has proposed to make it mandatory for top 1,000 listed entities to set up a risk management committee. Currently, the top 500 listed entities, in terms of market capitalisation, are required to set up such a committee.

"Considering the multitude of risks faced by listed entities, risk management has emerged as a very important function of the board. The Covid-19 pandemic has also reinforced the need for a robust risk management framework," SEBI said in a consultation paper issued. The role and responsibility of the risk management committee may include formulating a detailed policy which shall include a framework for identification of internal and external risks faced by the listed entity.

Paytm rolls out payout links

Paytm has launched Payout Links for businesses, enabling them to instantly process payouts to customers, employees and vendors, without collecting their bank details.

As businesses struggle with the ever-growing numbers of manual financial processes, Payout Links offers seamless payment integration for businesses to quickly send incentives and refunds to customers through the easy and inexpensive method of a simple payout link. Removing the need to store bank details, the facility benefits partner SMEs in diverse sectors such as gaming, e-commerce, retail, export and manufacturing, to transfer salaries, vendor payments, and commissions instantly. Paytm Payout Links can be easily created and shared with customers, vendors and employees in one go, said a release issued by the company.

The receiver needs to simply open the link and is automatically provided a list of saved accounts such as Paytm Wallet, Paytm UPI and connected bank accounts, which can be chosen to receive money instantly.

From Jan 1, e-invoicing mandatory for firms with turnover of Rs. 100 cr or more

The government has made it mandatory for companies with annual turnover of at least Rs 100 crore to go for e-invoicing for business to companies (B2C) transactions from January 2021. It has come out with a notification to this effect.

Currently, e-invoicing is mandatory for companies with annual turnover of at least Rs 500 crore. While it was made mandatory from October, the government had put off penalty for errant companies for at least one month.

Abhishek Jain, tax partner at EY, said," Aligned to the recent communications by various government officials, e-invoicing has now been notified for companies with a turnover of Rs 100 crore and above companies as well. With only 50 more days to go, these mid-size companies would need to soon gear up their processes and IT systems to enable compliance with this new invoicing regulation."

Under the system, companies have to raise e-invoices through a unique invoice reference portal and generate the IRN (invoice reference number). Failing this, the companies concerned will not be able to move goods for business-to-business (B2B) transactions.

The government plans to throw open e-invoicing for all companies from April next year.

Rs. 65,000 crore booster for fertiliser industry, to help clear subsidy dues

The fertiliser industry has landed an unexpected pre-Diwali bonanza, with the Finance Minister Nirmala Sitharaman, announcing an additional Rs 65,000 crore subsidy, over and above the Rs 71,309 crore already provided in the Union Budget for 2020-21.

Fertiliser companies were owed around Rs 48,000 crore subsidy dues at the start of the current fiscal. The subsidy requirement for 2020-21 alone - based on the expected consumption of individual fertilisers, cost of imported urea and feedstock (natural gas), rupee-dollar exchange rate, etc - was pegged at Rs 80,000-85,000 crore. The two added up to Rs 128,000-133,000 crore.

Given the subsidy provision of just Rs 71,309 crore, it would have meant a further increase in arrears to Rs 56,000-62,000 crore, to be carried forward to 2021-22. "The Rs 65,000 crore extra allocation announced by the Finance Minister will wipe all outstandings due to the industry. The additional expenditure will be approved as part of the supplementary demands for grants in the upcoming winter session of Parliament or when the revised estimates for this fiscal are placed along with the Budget for 2021-22," a fertiliser department official told. ❑

Mutual Fund News

HDFC Mutual Fund Launches HDFC Dividend Yield Fund

HDFC Mutual Fund has launched HDFC Dividend Yield Fund, an open-ended equity fund that will invest predominantly in stocks of dividend yielding companies. The scheme will look to invest in companies with a consistent track record of paying dividends at the time of investment and companies with a dividend yield higher than Nifty 50 index. The scheme will be market cap and sector agnostic.

Dividend yield is a good valuation indicator and companies that have high dividend yield represent good cash flow in business and management commitment towards shareholders. Also, such companies have a higher Return on Equity (ROE), said the release from the fund house. Dividend yield is a financial ratio that shows how much a company pays out in dividends/buyback each year relative to its stock price.

NIFTY Dividend Opportunities 50 TRI (the benchmark) has delivered a CAGR of 9.70% for the period 1st Oct'07 to 30 th Oct 2020. Further, over the last 13 years, NIFTY Dividend Opportunities 50 TRI has outperformed NIFTY 50 TRI by a CAGR of 2%

Further, dividend paying companies are mostly mature and less volatile businesses. These companies may be generating healthy cash flow. According to the fund house, low Interest rates make high dividend yield stocks attractive. Also, current polarized valuations make high dividend yielding stocks attractive and due to change in taxation, many companies are opting for buy back which can be a good way to reward shareholders and improve the valuations of these companies, said the release.

UTI MF launches small cap fund

With markets making new highs in November, mutual funds have started launching new schemes with gusto. UTI Small Cap Fund is set to launch today (2nd December). The fund will be managed by Ankit Agarwal, the fund manager of UTI Midcap Fund. According to data from Value Research, UTI Midcap under performed the S&P BSE Midcap 150 over the past 3 and 5 years. However, to be fair to Agarwal, the fund has outperformed since he took over the reins in August 2019.

Much of the revival has come from a shift in the fund's strategy from value to growth investing, a strategy that Agarwal is likely to implement in the small cap fund as well. Traditional value investing seeks to buy companies that are priced cheaply compared with metrics such as earnings or book value, but this philosophy has struggled against growth investing (buying fast growing but more expensively valued companies) for several years.

With other small cap funds such as SBI Small Cap closing themselves for lump sum subscription, there is a strong element of doubt about whether this is the right time to invest in a small cap fund. SBI MF continues to accept SIP (systematic investment plan) flows up to Rs.5,000 in the scheme.

According to the UTI MF presentation, the price to book ratio of the Nifty Small Cap 250 Index at 2.20 is close to its long run average of 1.98 and the dividend yield at 1.76% is a little higher than the long term average of 1.61%. Experts typically look at market capitalization as a more accurate long term measure of valuation. Here the answer is inconclusive. The small cap share in the Nifty 500 is at 6%. It is not as large as the 8% seen in October 2017 but not as cheap as it was in October 2013 at 4%.

According to the UTI MF presentation, the fund will maintain a roughly 65-

80% allocation to small caps, with the rest in mid caps. Although small cap funds can invest up to 35% of their corpus in large cap companies also, this will not be the strategy of UTI Small Cap, said Agarwal.

It will aim to hold a portfolio of 60-70 stocks so that it can be scaled up without having to change the portfolio, he added. The strategy is a bottom-up one and so there will be no predetermined sectoral allocations. However the model portfolio put out by UTI MF in its presentation shows consumer goods as the top sector followed by financial services.

"A low interest rate environment disproportionately benefits mid and small cap companies. These tend to have a higher cost of capital than large caps. If you notice the returns over the past few years have been led by expansion in multiples. However in the coming years we expect earnings growth to take charge," said Agarwal.

Axis Mutual Fund launches 'Special Situations Fund'

Axis AMC has launched 'Axis Special Situations Fund', an open ended equity scheme that follows a special situations theme focusing on investing in disruptive growth opportunities. The fund will allow investors to capture opportunities across the entire disruption value chain. Further the fund will be investing across both domestic and global markets as well as across the market cap spectrum. Overseas investments will be advised by Schroder (which is around 25% shareholder in Axis AMC).

Here are the key features of Axis Special Situations Fund:

> The fund offers Indian investors an opportunity to invest in stocks that are participating in or enabling disruption

> Its multi-sector and multi-cap asset allocation strategy along with exposure to global equities ensures that it is beneficiary to not only the disruptor but also companies which are adapter or enablers of disruption

> Overseas investments will be advised by Schroder Investment Management Limited based on their disruption philosophy

> The NFO of Axis Special Situations Fund will open on December 4 and will close on December 18.

> The scheme will be benchmarked against Nifty 500 TRI.

"Axis AMC has always tried to bring innovative new fund ideas for our investors that we believe can help in long term wealth generation. Our product development is backed by our unique and time tested philosophy of responsible investing with an unflinching focus on quality. The introduction of the Axis Special Situations Fund also continues our journey towards creating an industry leading asset management platform that can service needs for all our investors. As the world transforms around us led by ever accelerating technological change and innovation, investors need to be able to allocate to and benefit from this theme - whether in Indian or global markets," says Chandresh Kumar Nigam, MD & CEO, Axis AMC.

SIP inflow rises in October, tally reaches to Rs. 55,627 crore

After six months of continuous decline, investment in mutual funds through SIPs rose to Rs. 7,800 crore in October indicating a return to normalisation for the retail investor.

However, the increase in SIP numbers "may induce many to profit booking, as we are seeing in November equity flow preliminary numbers", said GautamKalia, head (investment solutions) at Sharekhan by BNP Paribas.

The industry raised Rs. 7,800 crore through the SIP route last month, compared with Rs. 7,788 crore garnered in September, data from the Association of Mutual Funds in India (Amfi) showed.

This was the first increase in Systematic Investment Plan (SIP) inflows since March this year. With the latest figures, the inflow through the route had reached to Rs. 55,627 crore in the first eight months of the current financial year 2020-21.

"While the month-on-month increase is marginal, it may be an indication to a return to normalisation for the retail investor.

"The recent spurt in equity markets may also instil more confidence in retail investors who will see their SIP investments show higher returns in their statements," Kalia said.

Considering the fact that economy is slowly reviving and job market is also reaching pre-COVID-19 levels gradually, FYERS Head (Research) Gopal Kavalireddi said investors are resuming their investments, which was either paused due to paucity of funds or withdrawn to meet expense.

Further, fund collection through SIP was Rs. 7,791 crore in August, Rs. 7,831 crore in July, it dropped below the Rs. 8,000-crore mark in June to Rs. 7,917 crore. It was at Rs. 8,123 crore in May, Rs. 8,376 crore in April and Rs. 8,641 crore in March.

A total of 11.27 lakh SIPs were registered in October, while 7.87 lakh were discontinued or whose tenure completed, taking the net addition to 3.4 lakh for the month.

Currently, mutual funds have over 3.37 crore SIP accounts through which investors regularly invest in Indian mutual fund schemes. SIP is an investment plan offered by mutual funds, wherein one can invest a fixed amount.

Franklin Templeton's debt schemes receive Rs 2,836 crore repayments in November

The six schemes of Franklin Templeton Mutual Fund (FT MF), which were wound-up in April, received Rs 2,836 crore in November. The total amount received since the winding-up process was started, stands at Rs 11,576 crore.

These cash flows have come on the back of pre-payments, part-payments, maturities and coupon payments from issuers.

Four of the schemes of FT MF are cash positive. These schemes hold Rs 7,726 crore of cash, subject to fund-running expenses.

Franklin India Low Duration fund currently holds 48 percent of its assets in cash. Franklin India Ultra Short Bond (46 percent), Franklin India Dynamic Accrual (33 percent) and Franklin India Credit Risk (14 percent) hold significant cash.

The fund house had recently approached the Supreme Court (SC), seeking intervention on the judgment passed by the Karnataka High Court (HC), and to ensure redemptions are halted till legal issues are resolved. The SC will be hearing Franklin Templeton's petition on December 3, 2020.

In its petition, FT MF requested the SC to pause redemptions, as opening of the funds could lead to a 'run' on the schemes and force the fund house to sell debt papers at distress prices. If sold at rock-bottom prices, there would be sharp declines in the net asset values of the schemes.

The Karnataka HC had ordered a stay on redemptions from the schemes for a period of six weeks, after pronouncing its order on October 24, 2020. This stay lapses on December 5, 2020.

The petition also stated that the Karnataka HC had taken an 'erroneous' view of the regulations pertaining to winding-up of the MF schemes.

"...we considered all possible options over the last few weeks to start returning money to unitholders in the shortest possible time in an orderly manner. This included the option of seeking unitholder consent according to the judgment of the Hon'ble High Court," FT MF said.

Recent new mutual fund rules announced by Sebi

Sebi, has recently announced a slew of measures for mutual funds industry. The market regulator has modified certain mutual funds rules to make them more investor friendly. The recent announcement of new 'flexi cap category' under equity schemes has cheered up investors who were cautious about their investments in multi cap funds due to the change in portfolio allocation rules announced by Sebi in September.

The markets regulator has introduced a 'flexi-cap category' for mutual funds, which will be required to invest at least 65% of the corpus in equity but will have no restrictions on investing in large-, mid- or small-cap company stocks.

Earlier in September, Sebi announced to tweak the asset allocation rules for multi cap funds. According to the circular, a multi cap fund must invest a minimum of 75% in equity and equity related instruments with a minimum 25% allocation to large-, mid- and small-cap stocks.

The existing equity schemes will be able to reclassify themselves under the new category and continue to run their multi cap funds in the same manner without any change in portfolio allocation or investment process, just by changing the scheme's name.

Sebi has restored the pre-covid cut-off timings of mutual funds, effective November 9. In April, Sebi had reduced the cut-off timings of all mutual funds to 1 pm from 3 pm and for liquid and overnight schemes to 12.30 pm from 1.30 pm.

On October 19, Sebi had restored the cut-off timings to 3 pm for all schemes except for debt schemes and conservative hybrid schemes.

Now, the cut-off time has been brought back to 3 pm for debt and conservative hybrid funds as well. The cut-off time for purchase of liquid and overnight funds would stand restored from 12.30 pm to 1.30 pm. The redemption cut-off time for equity, debt and liquid funds would stand restored to 3 pm. The Sebi action follows an RBI move extending debt market timings for most securities to 3.30 pm, also with effect from 9 November.

Sebi in a circular issued on November 5, doubled the foreign investment limit per mutual fund house to $600 million, from the existing $300 million. $50 million would be reserved for each mutual fund individually, within the overall industry limit of US $ 7 billion. ❑

Co-Operative Bank News

Janata Co-op Bank's crosses Rs 270 cr biz

Janata Cooperative Bank has crossed a business mix of Rs 270 crore and earned a net profit of Rs 1.71 crore in 2019-20 financial year, informed P S Pathania, MD of the UCB.

"The business mix of the bank has increased from Rs 265.43 crore to Rs 272.4 crore in 2019-20 financial year. There is a slight decrease in deposits but the loans and advances substantially increased.

The deposits of the bank decreased from Rs 172.35 crore to Rs 171.70 crore whereas loans and advances grew from Rs 93.08 crore to Rs 100.70 crore in 2019-20 FY", informed P S Pathania.

Besides, the share capital of the bank rose from 4.80 crore to Rs 4.92 crore. The reserves increased from Rs 13.36 crore to Rs 14.62 crore as on 31st March 2020. In the Covid times, our bank has reduced the interest rates on all loans and also planning to make new plans to increase the business which is affected due to the coronavirus, he said.

Pathania further asserted that the UCB has a branch network of 5 along with one extension counter at Hazrat Nizamuddin (East), New Delhi. "We are also looking to open more branches to attract more and more customers in the coming days. We have applied for two branches and are awaiting approval from RBI", added the MD of the bank.

More than 7000 shareholders are associated with the bank. In the last FY, the bank earned a net profit to the tune of Rs 1.71 crore. Earlier it was Rs 1.58 crore", he noted.

PMC Bank seeks bidders for its reconstruction

Punjab and Maharashtra Cooperative (PMC) Bank has invited interest from potential bidders for the reconstruction of the bank.

"(The) objective of the process of invitation of EoI (expression of interest) is to identify a suitable equity investor/ group of investors willing to take over management control so as to revive the bank and commence regular day-to-day operations," said the bank in its advertisement.

PMC Bank is under regulatory restrictions after the Reserve Bank of India (RBI) found out financial irregularities in its functioning, hiding and classification of loans given to Housing Development Infrastructure Ltd (HDIL). The bank has an exposure of over Rs 6,200 crore to HDIL. The RBI has superseded the board of the bank and has appointed an administrator.

DCCB Chairman demands release of dues from SFC

While addressing the meeting of Chairman of 23 District Central Cooperative Banks (DCCB) recently, Bihar State Cooperative Bank Chairman Ramesh Chandra Chaubey demanded that the state government should provide money from public sector banks at zero or maximum 3 percent interest for purchasing paddy from farmers.

He demanded that the State Food Corporation should release the dues of Rs 18 crore immediately. PACCs have to pay additional interest due to delay in payment by SFC.

It was informed during the meeting that the arrears of Ara DCCB are Rs 6 cr and that of Nalanda Central operative bank is 10 cr.

The meeting was attended by Vaishali Central Government Bank Chairman VishundevRai, Muzaffarpur Central Cooperative Bank President Amarnath Pandey, Ara Central Government Bank President Satyendra Narayan Singh, Nalanda Central Cooperative Bank President Amarendra Kumar and others.

RBI extends direction again

Even while the RBI keeps extending the Direction of Rupee Co-operative Bank, there is no word on the MSC Bank proposal of merger of the beleaguered UCB with MSCB. Being a co-op bank under Nabard control, the MSC Bank is also waiting for NABARD's green light for its merger with the Rupee Cooperative Bank and the City Cooperative Bank.

It bears recall that the MSC Bank lends money to agricultural enterprises like sugar mills and agri processing units. According to VidyadharAnanskar, chairman of the board of administrators, the bank's exposure to the sector is Rs 22,000 crore, of which Rs 10,000 crore is earmarked for the sugar sector as pledge loan and the rest to the agricultural sector. Meanwhile, the bank has decided to do retail lending with a view to minimizing the risk.

In its recent order, the Reserve Bank of India extended the validity of the directions on the Rupee Cooperative Bank till February 28, 2021. The UCB was put under Directions from the close of business on February 22, 2013. The validity of the directions was extended from time-to-time, the last being up to November 30, 2020.

Meanwhile, beating all odds Rupee Co-operative Bank earned an operating profit of Rs 19.55 crore in FY20. Sizeable reduction in staff strength, as well as the curtailing of administrative expenses, are said to have helped the debt-ridden Rupee Cooperative Bank to report a profit. The bank has made a total recovery of Rs 15.40 Crores till last financial year. The bank has total deposits of Rs 1,289.72 crore and loans to the tune of Rs 298.50 crore, with around 5 lakh depositors and 35 branches.

A press release issued by Sudhir Pandit, chairman of the board of administrators, stated that the bank was hopeful of a quick merger with the Maharashtra State Cooperative Bank. RBI had asked MSCB to submit the financial position of and these were submitted long time back and yet there is not a word from the regulator, said a Bank official on condition of anonymity.

Indian Cooperative has learnt that the proposal of merger of Rupee Bank with MSCB is gathering dust in the RBI corridors. Though RBI does give extension to the UCB again and again, it is yet to take a call on its merger. It is to be noted that MSC Bank has already carried out the due diligence and is ready for the merger. There are more than 6 lakh depositors associated with the Rupee Bank, who continue to suffer.

HC raps central bank over PMC withdrawals

The Delhi High Court pulled up the Reserve Bank of India (RBI) for leaving it to scam-hit PMC Bank to decide which emergencies cited by its depositors were to be considered for disbursal of Rs. 5 lakh to them, saying since the central bank imposed the restrictions, it should have been the one taking the decision.

Punjab and Maharashtra Cooperative Bank has been put under restrictions, including limiting withdrawals, by the RBI, following the unearthing of a Rs. 4,355-crore scam.

"RBI was to apply its mind and not act as a post office. If you (RBI) have imposed the restrictions, then you have to apply your mind. You cannot accept what PMC Bank says as gospel truth. You cannot leave it to PMC Bank to decide to whom it will disburse funds," said a bench of Chief Justice D.N. Patel and Justice PrateekJalan.

"This is not satisfactory. You cannot leave it to PMC Bank to decide. There has to be some way to monitor it, something independent of the administrator (appointed by RBI)," the bench added.

The court was hearing an application by consumer rights activist Bejon Kumar Misra seeking directions to the central bank to consider other needs of PMC Bank depositors for withdrawal, such as education, wedding and dire financial position, not just serious medical emergencies.

The bench also told RBI that there should be a grievance redressal mechanism in place to address the grievances of depositors who are not satisfied by the decision taken by PMC Bank or the administrator.

No respite for Madgaum Urban Co-op Bank

Reserve Bank of India has extended the Directive issued to the Madgaum Urban Co-operative Bank Ltd., Margao, Goa for a further period of three months from December 03, 2020 to March 02, 2021.

The Madgaum Urban Co-operative Bank Ltd., Margao, Goa was placed under Directions vide Directive dated April 26, 2019 from the close of business on May 02, 2019 for a period of six months. The validity of the above Directions was extended from time to time, the last being vide Directive dated July 27, 2020 up to December 02, 2020.

All other terms and conditions of the Directive under reference shall remain unchanged.

Legal Cases

Court stays out of credit ratings

The credit rating of a company is usually rendered after taking into account all positive or negative factors and it is an opinion rendered by experts in the field. A court will not interfere unless the opinions is "perverse, arbitrary and mala fide". A court cannot also stop the rating agency from disclosing or publishing it. So stated the Delhi High Court in its judgment in the case, Jindal Power Ltd vs ICRA Ltd. JPL filed a suit requesting the court to quash its downgrading from BBB+ (stable outlook) to BBB (negative outlook) by ICRA, which is a rating agency following the SEBI (Credit Rating Agencies) Regulations.

Both parties had signed an agreement in 2016 on rating and there was no dispute for the past few years. However after the economic stress and the Covid pandemic, several issues were raised by the rating agency. Rejecting the stand of JPL, the court observed that "the evidentiary value of opinion of a expert has to be decided on the basis of the credibility of the expert and the relevant facts supporting the opinion. The emphasis has to be on the data on the basis of which opinion is formed. Further, if the opinion is intelligible, convincing, and based on reasoning, no decree declaring the said opinion as null and void, unenforceable and ineffective can be passed."

Ganesh Santa Ram Sirur Vs. State Bank of India & Anr. (2005) 1 SCC 13

Service Law - Dishonest sanction of loan - Removal from service - Held, Sanctioning of loan by a bank manager to his spouse in contravention of service rules not an honest decision and therefore punishment of removal from service is just and proper.

Natural Justice - Personal hearing – Held, principles of natural justice cannot be put in a straitjacket – Where relevant service rule did not provide for a personal hearing, then a decision taken with full application of mind but without giving personal hearing cannot be said to be vitiated.

Facts

The appellant was issued with a charge sheet for certain irregularities committed by him while working as Branch Manager of the respondent bank. Out of the various charges imputed against him, the enquiry officer, after completion of the enquiry, held only the charge pertaining to grant of advance by the appellant to his wife as proved. Thereafter, on the recommendation of the disciplinary authority , the punishing/appointing authority imposed on the appellant the punishment of reduction in substantive salary by one stage. On appeal, the appellate authority initially proposed to enhance the punishment to dismissal. However, after examining the reply given by the appellant to the proposed punishment, the appellate authority imposed on the appellant the punishment of removal from service.

The appellant's request for a review by the Chairman of the respondent bank was also not entertained. The writ petition filed by the appellant to quash the order of the appellate authority and for directions to reinstate him with back wages and arrears of service and other service benefits was dismissed by the Division Bench of High Court of Bombay. Being aggrieved by the same, the appellant preferred the present appeal.

Issues

1. Whether enhancement of punishment by the appellate authority to

removal from service, of a bank manager for sanctioning loan to his spouse in contravention of service rule, is just and proper especially when the cheque issued pursuant to the loan was not encashed?

2. Whether the enhancement of punishment by the appellate authority without giving a personal hearing to the appellant was in order?

3. Whether the appellant, having filed appeal after the period of limitation, can contend that his appeal being time barred should not have been considered by the appellate authority?

4. Whether taking into account of unproved charges in the departmental enquiry by the appellate authority while enhancing the punishment in appeal is in order?

Arguments on behalf of the appellant

(i) The appeal should not have been considered by the appellate authority as the same was time barred.

(ii) The appellate authority while enhancing the punishment considered charges which were not proved in the enquiry.

(iii) The order of removal is unsustainable as no personal hearing was given to the appellant by the appellate authority before enhancement of punishment.

(iv) The order of enhancement of punishment by the appellate authority is not just when it is not recommended by the disciplinary authority and that too in the appeal filed by the delinquent employee.

(v) Though loan was granted by the appellant to his wife under a Scheme meant for educated unemployed youth in violation of Service Rules, the bank cheque issued by the appellant was not encashed, it was only an attempt and no loss has been caused to the bank.

(vi) Therefore, impugned action of the respondent bank in enhancing the punishment to removal is unjust, unwarranted, violative of statutory rights as also the principles of natural justice.

Various case laws were cited on behalf of the appellants in support of the above contentions and it was pleaded that the punishment of removal be set aside and the punishment imposed by the disciplinary authority be restored.

Court separates IT wings fighting each other

Recently, the Delhi High Court delivered a judgment in the case, Commissioner of Income Tax vs Authority for Advance Ruling, Income Tax. CIT filed a writ petition claiming that it alone had jurisdiction in deciding a tax matter involving a foreign firm, Crocs Europe BV. It argued that its sister organisation, AAR, passed an order violating the jurisdictional bar under Section 245R(2) of the Income Tax Act.

Dismissing the petition, the court stated that the questions before the two income tax authorities were different. CIT was looking into discrepancy in the declared income during random scrutiny. AAR was looking into royalty for use of intellectual property in the context of double taxation avoidance treaty with the Netherlands. ❑

Date for availing direct tax dispute resolution scheme till Dec 31

The government has extended the last date for availing the direct tax dispute resolution scheme till December 31, 2020, the finance ministry notified. Taxpayers willing to settle their tax disputes under the Direct Tax Vivad se Vishwas Act can file their declarations till December 31, and will be mandated to pay the settled tax amount by March 31, 2021, with a complete waiver of interest and penalty. After April 1, 2021, a 10% higher amount will have to be paid.

Further, where arrears relate to disputed interest or penalty only, then 25% of the amount is to be paid by March 31, 2021 and 30% after April 1, 2021. The extension has been provided "in order to provide further relief to the taxpayers desirous of settling disputes under the scheme," the Central Board of Direct Taxes (CBDT) said.

Finance secretary Ajay Bhushan Pandey has asked tax officials to expedite the Scheme which, he said, is highly beneficial to the taxpayers, after reviewing the progress made so far by the income tax department on the scheme in a high level meeting. "We need to advance the Vivad se Vishwas Scheme with greater persuasion and perseverance and must reach out to the taxpayers to facilitate all necessary handholding," he said.

PayPoint offers free Personal Accident Insurance to support migrant workers

PayPoint India, a last-mile distribution network of Financial Services, is driving a unique initiative that offers a complimentary Personal Accident Insurance cover for migrant workers transferring money to their families at native place. The insurance cover provides financial protection of up to Rs 50,000 to the insured person against uncertainties such as accidental death or partial, temporary, permanent and total disability due to an accident.

At zero premium cost, the cover is available exclusively for PayPoint India customers, especially those coming from India's vast under-served rural areas as well as the unskilled migrant laborers. To be eligible for the benefit, the user has to simply remit money from a nearby PayPoint store or PayPointz wallet. Regardless of the transferred amount, the cover automatically renews - once a new money transfer is initiated - in the subsequent month.

Unskilled workers the most vulnerable to accidents: The insurance benefit is designed majorly for laborers staying and earning in industrial zones and cities or working in factories, transport, loading and unloading, etc. According to government statistics, these unskilled workers are the most likely victims to fall for accidents during their working hours.

Commenting on the peerless initiative aimed at filling a major void in the migrant lives, Ketan Doshi, Managing Director of PayPoint India, said, "Given India is traditionally an underinsured and one of the most acutely vulnerable countries, we aim to expand the blanket of financial security for the ones who need it the most through this initiative. By integrating with a transaction, we want them to be aware and proud of their commitment to their own families."

Ensuring social and financial security during the Covid-19 pandemic: As per various NGO reports, there were at least 1,461 accidents throughout the nationwide lockdown - from March 25 to May 31 - at least 750 people were killed, including 198 migrant workers. During such unprecedented times, when the need for social and financial security has come to the fore, such benefits can add valuable support to migrants. PayPoint expects to cover 1 million customers through its network of 48,000 plus digitally enabled retail stores by next year.

"The pandemic has created tougher times for migrant laborers. The initiative has been introduced in line with our vision to reach out to the proverbial bottom of the pyramid population, prioritizing the self-employed migrants' financial resilience and embedding a sense of security in them", added Mr. Doshi.

PayPoint catering small ticket size insurance: While insurance agencies usually shy away from small ticket size insurance policy because of low commission rates, PayPoint successfully manages to sell such policies in urban and rural areas, thereby increasing the insurance penetration. This is done by ensuring compensation from other services such as remittance, utility bill payment, DTH & mobile recharges, air and bus ticket booking, etc.

Shri Kamran Rizvi, IAS takes charge as CMD HUDCO

Shri Kamran Rizvi, IAS, Additional Secretary, Ministry of Housing and Urban Affairs, assumed the office of Chairman & Managing Director(additional charge), Housing and Urban Development Corporation Limited.

SunTec Strengthens Leadership Team, Appoints Peter Yorke as Senior Vice President of Marketing

SunTec Business Solutions, the world's #1 relationship-based pricing and billing company, today announced that it has appointed veteran marketing professional, Peter Yorke as Senior Vice President of Marketing. Peter will be based in Bangalore and will lead the company's global marketing and branding initiatives in order to further establish SunTec's global leadership and communicate its value proposition across all markets it operates in.

Nanda Kumar, CEO, SunTec said, "Peter brings proven leadership and strategic marketing competencies to SunTec and I am confident that our global marketing and branding efforts are now in capable hands. I am looking forward to working closely with him as he takes on the mandate to communicate our value proposition even more effectively to our current and potential customers around the world."

Peter brings to the company more than 30 years of experience as a marketing professional. Prior to joining SunTec, he was CEO and Co-Founder of Yorke Communications, a content marketing firm, which he ran for more than 11 years. In an earlier stint, Peter held the position of Vice President of Marketing and Communications at Oracle Financial Services Software.

Peter Yorke, Senior Vice President Marketing, SunTec said, "SunTec's global leadership and an illustrious list of clients stand testimony to the company's clear and unique value proposition for its revenue management and real-time customer experience orchestration solutions. I am proud to come on board and I hope to elevate SunTec's marketing and branding initiatives to further strengthen our brand recognition among our stakeholders across all geographies."

SunTec operates globally across 45 countries, including India, USA, UK, Germany, UAE, Singapore, Canada, and Australia. The company has more than 130 clients in BFSI, telecom and travel industries.

Signzy Appoints Arun Rajkumar as Vice President of Technology

India's leading No-Code AI Platform provider for financial services, Signzy today said that it has appointed Arun Rajkumar as its Vice President of Technology. Arun brings to Signzy over 13 years of global experience in providing strategic guidance for technological initiatives and development efforts across Insurance, Banking, and Retail domains. He will lead new technology research and development (R&D) efforts at Signzy, primarily focusing on Artificial Intelligence (AI) and Computer Vision (CV) technologies to drive the company's next stage of innovation. Arun will be based in Bangalore.

Prior to joining Signzy, Arun was Vice President of Technology at Wooqer and CTO at TechJini. Over an extensive career, he has provided IT leadership and cross functional support to startups and mid-sized companies, and built tech roadmaps and business cases to improve overall organisational operations efficiency and effectiveness. He has also developed and implemented over 200 applications.

Speaking on his appointment, Ankit Ratan, co-founder of Signzy says, "Arun's clarity of vision and his strategic leadership capabilities make him the ideal person to drive the technology innovation engine at Signzy. He also joins us at an opportune time as we reaffirm our commitment to offer the most technologically advanced solutions to our customers around the world. I look forward to working closely with him in bringing Signzy's technology vision to life."

Arun Rajkumar says, "Signzy has already built a powerful and world-class No-code AI platform that is also market-ready, which makes my role here all the more exciting and challenging at the time. I am looking forward to take on the next set of challenges in realising our technology vision and to deliver new solutions that underscore our technology leadership."

Arun is an alumni of IIM Calcutta and has to his credit several international technology based awards. He was named Future tech leader by CIO100 in 2018 and was also named the winner of 2016 Mobile Sparks.

FARMER PRODUCER ORGANISATIONS (FPOS) - AN AVENUE FOR FINANCING TO FARMERS

Abstract

India has about 12.5 Crore farmer households of which over 85% are small and marginal farmers with land holdings of less than 2 hectares. The average size of land holding is 1.33 hectare/ farmer household. Due to this fragmentation and disorganization, farmers face constraints such as procuring inputs like seeds and fertilizers at reasonable prices, lack bargaining power in the market, realizing better value for their produce, access to technology, etc. As a result majority of the small producers are unable to realize optimal value from their farming operations and make economic progress. On the other hand, in case of non-farm sector activities, the problems relate more to the quality of the product and marketability. It is felt, by organising themselves collectively, producers can utilize scale to procure inputs at a lower price, and gain more selling power for their produce/product. Forming a producer organization can provide a strong platform to take up collective business activities, build capacity and provide linkages to markets.

Concept of FPO's - A brief introduction

A Farmer Producer Organisation is a legal entity formed by primary producers, viz. Small and marginal farmers, which is directly engaged in agriculture and allied activity as crop production, dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture etc. Various policy level initiatives are being taken by Government aimed at promoting the concept of producer organizations. Some of them include, having a dedicated source of funding to FPOs from the Rashtriya Krishi Vikas Yojana (RKVY), Equity Grant and Credit Guarantee Fund Scheme by Small Farmers Agribusiness Consortium (SFAC) for Farmer Producer Companies, setting up of Producers Organizations Development Fund (PODF) in

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NABARD and PRODUCE fund of Government of India etc. A FPO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/ benefits among the members.

Essential features of a FPO

- ❖ Formed by a group of producers for either farm or non-farm activities.
- ❖ It is a registered body and a legal entity.
- ❖ Producers are shareholders in the organization.
- ❖ It deals with business activities related to the primary produce/product
- ❖ It works for the benefit of member producers.
- ❖ A part of the profit is shared amongst the member and rest of the surplus is added to its owned funds for business expansion.

Need of formation of FPO

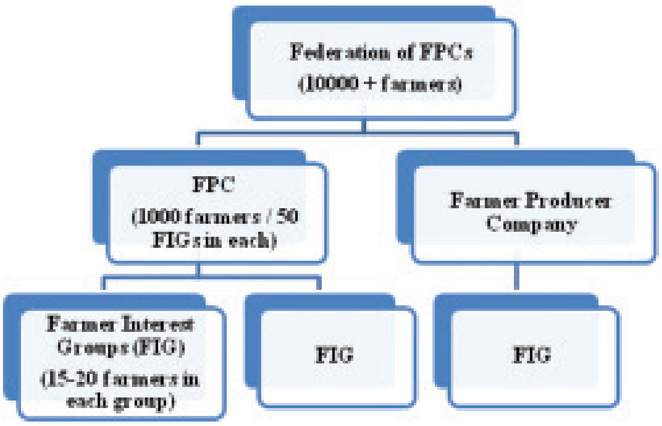
The main aim of FPO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays.

Collectivization of producers, especially small and marginal farmers, into producer organisations has emerged as one of the most effective pathways to address the many challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets. Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India has identified farmer producer organisation registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilize farmers and build their capacity to collectively leverage their production and marketing strength.

Current status of FPO

As on 31.03.2019 totally 897 FPOs are in existence in India, which were formed under various initiatives of the Govt. of India (including SFAC), State Governments, NABARD and other organizations. Of these, 792 FPOs are registered as Producer Companies and the remaining as Cooperatives/ Societies, etc. Majority of these FPOs are in early stage of their operations with shareholder membership ranging from 100 to over 1000 farmers and require not only technical hand holding but also adequate credit, capital and infrastructure facilities including market linkages for sustaining their business operations.

The typical structure of a FPO



State level	Policy advocacy, explore wider markets, strategic partnerships
Cluster level (10-12 Villages)	Credit, inputs, technology, capacity building, Marketing linkages
Village level	Crop planning, Seed production, demonstration, Knowledge sharing, aggregation

Formation of FPO:

To ensure sustainability and economic viability of FPOs/POs, their nurturing plays an important role in taking up viable business activities like aggregation of produce, collective marketing, bulk procurement of inputs, primary processing, etc. To meet the credit requirements of FPOs/POs in various stages of their life viz. Initial phase, Growing phase, and Maturity phase, the loan products mentioned below have been introduced.

Opportunities for financing to FPOs by banks

To ensure sustainability and economic viability of FPOs, their nurturing plays an important role in taking up viable business activities like aggregation of produce, collective marketing, bulk procurement of inputs, primary processing, etc. To meet the credit requirements of FPOs it is broadly categorized into three phases.

1. **Incubation and Early Stage:**
   At this stage, the financial need of the FPOs revolves around the cost of mobilizing farmers, registration cost, cost of operations and management, training, exposure visits etc.

2. **Emerging and Growing Stage:**
   Once FPOs are incubated with grant support from promoting institutions, there are three ways to raise fund to meet their working capital and investment need. They include - Equity Financing, Credit Capital and Debt Financing.

3. **Matured Stage (Business Expansion):**
   As the FPOs move towards expanding their businesses, they need finance for quality improvement in products/ services. Here, finance is required for quality improvement along the value chain of the produce. So the loan products mentioned below have been introduced.

I. Loan Products with availability of Collateral/ Guarantee Cover

a) Loans to POs/FPOs that are eligible for assistance from SFAC towards equity/credit guarantee cover.

b) Loans to FPOs and other POs that are not eligible for assistance from SFAC towards equity/credit guarantee cover and offering collaterals.

c) Loans to Promoting Institutions, for lending to POs.

II. Loan Products without Collateral//Guarantee Cover

a) Loans to POs that are not in position to provide collaterals.

b) Loans to start up FPOs/POs with small size of business activities.

The items eligible for assistance broadly include capital cost such as cost of building, machinery and equipment for processing, specially designed vehicles for transportation etc. and working capital requirements for input supply, procurement, collective marketing, and other recurring costs connected with the project.

Support from Government of India

The Govt. of India in the Union budget 2018-19, announced the following measures to promote FPOs for a prosperous and sustainable Agriculture sector that enable farmers to enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns of the produce;

(i) Launching of "Operation Greens" for onion, potato and tomato crops on the lines of Operation Flood with an allocation of Rs. 500 crores. The initiative aims to address price fluctuation in vegetables for the benefit of farmers and consumers. It will promote FPOs, agri-logistics, processing facilities and professional management.

(ii) With a view of encouraging enabling environment for aggregation of farmers into FPOs and take advantage of economies of scale, the Govt. announced 100% tax deduction for FPOs with annual turnover of up to Rs. 100 crores.

Support from NABARD

❖ Financial Intervention- by direct lending to PO in one form of term loan and cash credit.

❖ Capacity building-Fund for skill development, training, planning and technical extension etc.

❖ Market linkage for setting-up of marketing infrastructure facilities for sale of produce.

Support from SFAC

❖ The entire government schemes for FPO are implemented by SFAC.

❖ Equity grant- Matching Equity Grant Maximum of Rs.10 Lakh per FPO for enhances borrowing power and enables them to access bank finance.

❖ Credit Guarantee Fund scheme- seek collateral-free loan up to 1.00 crore which in turn can seek 85 percent cover from the Credit Guarantee Fund.

Challenges

❖ Lack of access to affordable credit for want of collaterals and credit history is one of the major constraints, the FPOs are facing today. Further, the credit guarantee cover being offered by SFAC for collateral free lending is available only to Producer Companies.

- FPOs are mostly represented by SF/MF with poor resource base and hence, initially they are not financially strong enough to deliver vibrant products and services to their members and build confidence.
- Farmers' Organizations are required to be efficiently managed by experienced, trained and professionally qualified person However; such trained manpower is presently not available in the rural space to manage FPO business professionally.

Benefits

- Cost of production can be reduced by procuring all necessary inputs in bulk at wholesale rates.
- Post-harvest losses can be minimized through value addition and efficient management of value chain.
- Improved bargaining power and social capital building.
- Aggregation of produce and bulk transport reduces marketing cost, thus, enhancing net income of the producer.
- Easy in communication for dissemination of information about price, volume and other farming related advisories.

Strategies to Finance FPOs

The important factor considering increasing finance to FPOs is as under:

- Providing comprehensive early stage funding.
- Designing appropriate loan products as at the level of farmer member and at the FPO level.
- Encouraging value chain financing under priority sector lending.
- Ware house receipts based lending and price risk mitigation.

Suggestion to improve finance to FPOs

- It will be necessary to take up advocacy not only with different government agencies but also with banks and other financial institutions. SFAC and NABARD are already engaged and taking the lead particularly in working with the State Governments but the work with the banking sector needs momentum and hence.
- Despite RBI's directive to banks on financing of FPOs.
- Many branches of banks are unaware of the policies regarding FPOs and they need to be educated.
- The awareness should start at state level and district level forums such as State Level Bankers Committee (SLBC) and District Consultative Committee (DCC) meetings held by banks. Applications from FPOs to the banks could be reviewed at these meetings to assess progress in implementation.
- Interest subvention for crop loan model can be extended to FPOs Since they are owned by small and marginal farmers.
- The need for ratings of FPOs on the lines of SHG rating would improve credit worthiness of the FPOs.
- Financing to FPOs should be given top priority for the bank.

Conclusion

In present scenario Farmer Producer Organizations (FPOs) has been considered as one of the way to overcome the challenges faced by the small and marginal farmers. This approach is to be more successful in breaking farmers' dependency on intermediaries, and enabling them access better markets (inputs and output), financial services, Input supply services, Market services, Technical and networking services which is provided by FPOs to their members. Financial institutions have Potential Avenue for financing to FPOs and increase their priority sector advance portfolio with minimal default risk.

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FARM AMENDMENT BILL 2020 AND ITS PROS AND CONS.

There are three bills which are passed by Government. First one Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020. For better communication it is the best to refer to this Bill as "the APMC Bypass Bill 2020" since that is the intent. The purpose of this bill is to create an ecosystem where farmers and traders enjoy the freedom to sell and purchase farm produce outside registered 'mandis' under states' APMCs.

Moreover this will promote barrier-free inter-state and intra-state trade of farmers' produce. Along with that this bill will reduce marketing/transportation costs and help farmers in getting better prices.

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In addition to this, bill will provide a facilitative framework for electronic trading.

Contrary to these facilities State governments have the apprehensions to loose mandi fees as there is no compulsion for farmers to sell in mandi. Also they have anxiety about mandi agents who will loose their jobs. The apprehensions reached at the level of loosing MSP system. As they consider that MSP is possible till APMC (MANDI) exist. In this way the fate of E-NAM is also their concern. Of course E-NAM requires physical mandi structure but it will not be a particular one.

The Central government has decided to throw open the doors of national markets for farmers, allowing them to sell their produce ''wherever'' and to ''whoever'' without any restrictions on selling only to licensees in Agricultural Produce Market Committees (APMCs) or mandis.

Under the provisions of the APMC Act, farmers are required to sell their produce only in designated mandis at prices that are often regulated and many times lower than prevailing market price. This restricts earnings of the farmers and curbs their ability to take their produce for further processing or exports. While several states have agreed to abrogate or change the APMC Act and abolish the mandi system, it is still largely the market for farmers.

Over and above when there is no restriction of sale for industrial products then why for agriculture. The statistics show that only 36% of farmers' produce gets traded in regulated markets.In this way the apprehensions are for the time being not for long. The announcement of MSP is done by central government so no correlation seem to be finished.

The second bill is related to Essential Commodities Amendment Bill 2020. This will remove commodities like cereals , pulses , oilseeds , onion and potatoes from the list of essential commodities. Its will do away with the imposition of stock holding limits on such items except under circumstances like war. Besides this provision will attract private sectors / FDI into farm sectors as it will remove fears of private investors of excessive regulatory interference in business operation. It will bring investment of farm infrastructure like cold storages and modernizing the food supply chain. In this way it will help both farmers and consumers by bringing price stability and To create competitive market environment and cut wastage of farm produce.

Contrary to these facilities they have the doubt that the price limit of extra ordinary substances are so high that these can not be implemented. Also bigger companies have the freedom to stock commodities so they may dictate the terms and condition to small and marginal farmers.

The third bill pertains to contract farming The farmer (Empowerment and protection) agreement of price assurance and farm service bill 2020.

Under this bill Farmers can enter into contract with agri business firms, processors, exporters, wholesalers and large retailers for sale of future farming produce at a pre agreed price.

The percentage of small and marginal farmers constitute 86% of the farming community. They can gain via aggregation. Also the market unpredictability will shift from farmers to sponsors.

Besides this will enable farmers to access modern tech and get better inputs side by side it will reduce cost of marketing and boost farmers income. More over the Farmers can engage in direct marketing by eliminating intermediaries for full price realization. Also there is Effective dispute resolution mechanism with redressal timelines.

Farmers in contract farming arrangements will be the weaker players in terms of their ability to negotiate what they need as it is apprehension. Also the sponsors may not like to deal with multitude of small and marginal farmers. In addition to this it is said that the big private companies like exporters , wholesalers, and processors will have an edge over disputes. Initially these things may create the suspicion but later on it will be vanished. ❑

Central Bank of India net profit rises 20% to Rs 161 crore

Central Bank of India reported over 20 percent rise in its net profit at Rs 161 crore for the second quarter ended September 30. The bank had posted a net profit of Rs 134 crore in the corresponding quarter of the previous financial year. Its total income grew nearly 2 percent to Rs 6,833.94 crore during July-September 2020, against Rs 6,703.71 crore in the year-ago period, Central Bank of India said in a regulatory filing. Operating profit improved to Rs 1,458 crore, registering a growth of 42.16 percent from Rs 1,026 crore a year ago, it said.

The lender also improved on its bad assets ratio with the gross non-performing assets (NPAs) falling to 17.36 percent of gross advances by the end of September 2020, from 19.89 percent by the end of September 2019. Net NPAs fell to 5.60 percent, against 7.90 percent in the year-ago quarter.

In value terms, the gross NPAs fell to Rs 30,785.43 crore from Rs 33,497.22 crore, while net NPAs stood at Rs 8,683.58 crore as against Rs 11,551.91 crore. Provisions for bad loans and contingencies, however, rose to Rs 1,104.92 crore for the reported quarter of 2020-21, from Rs 791.33 crore in the year-ago period. The bank's total business stands at Rs 5,00,737 crore as against Rs 4,73,080 crore, it added. Provision coverage ratio also improved to 82.24 percent, against 76.68 percent a year ago.

MERGERS AND ACQUISITION- A CONCEPTUAL DELIBERATION IN INDIAN CONTEXT

Introduction

The merger of the three public sector banks- Bank of Baroda, Vijaya Bank and Dena Bank has raised a lot of curiosity towards consolidation process through mergers like never before. The reason being firstly it is directly related to public.

All the three banks hold an illustrious history of more than 100 years with billions of people as customers in its fold. Secondly, while mergers and acquisition in corporate sector is a continuous process, the merger of three public sector banks is a major event in banking history in last 50 years after the nationalization of banks in 1969.

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Merger & Acquisition- The Indian Context

There has been a continuous process of consolidations in any evolving market. Once a market is allowed to grow, many companies join the bandwagon to take the advantage of business opportunities, however as the market advances to maturity, it discards players with irrelevant business model, competencies and scaling plans. We may see the Indian mobile network market for example. You could probably remember the name of many network providers who entered in the growing Indian market when India embraced wireless communication technology in last decade like- Ericsson, AT&T, Spice, MTS, Virgin, Reliance (Anil Ambani endeavor), Tata Teleservices and so on.

These companies today are nowhere on horizon. As Indian mobile network market entered in maturity stage from growing stage, only fewer players with deep pockets, competencies, scaling, technology and eager to serve customers are here to stay, thus now only four players are left in game i.e. Vodafone, Airtel, Reliance Jio and state sponsored BSNL/MTNL. This is exactly the pattern in mature mobile network markets world over where only four or five players are left and operating in any country.

In Indian industry, the pace for mergers and acquisitions activity picked up in response to various economic reforms introduced by the Government of India since 1991, to facilitate liberalization and globalization. The Indian economy has undergone a major transformation and structural change following the economic reforms, as "size and competence" have become the focus of business enterprises in India. Indian companies realized the need to grow and expand in businesses that they understood well, in order to face the growing competition.

Several leading corporate have undertaken restructuring exercises to sell off non- core businesses, and to create stronger presence in their core areas of business interest. Mergers and acquisitions emerged as one of the most effective methods of such corporate restructuring, and became an integral part of the long-term business strategy of corporate sector in India. Over the last decade, mergers and acquisitions in the Indian industry have continuously increased in terms of number of deals and deal value.

A survey among Indian corporate managers in 2006 by "Grant Thornton" found that Mergers & Acquisitions are a significant form of business strategy today for Indian Corporate sectors. Consolidation through mergers and acquisitions is considered as one of the best ways of restructuring structure of corporate units. M&A gives a new life to the existing companies.

What is Merger and Acquisition?

A merger is a combination of two or more companies into one company. It may be in the form of one or more companies being merged into an existing company or a new company may be formed to merge two or more existing companies. The Income tax Act, 1961of India uses the term 'amalgamation' for merger.

Thus, Merger or Amalgamation may take any of the two forms:

I. Merger or Amalgamations through absorption

II. Merger or Amalgamations through consolidation

Absorption: It is a combination of two or more companies into an 'existing company. In a merger through absorption, all companies except one go into liquidation and loose their respective separate identity. For example, one bank acquires the other. A + B= A: Here, two entities A and B merge such that one , says B loses entity, and other entity A become enlarged one. In this case, A is the acquiring company and B is the target or acquired company. This is generally called as absorption (i.e. B is absorbed by A) or 100% or 'complete takeover' of one company by the other.

Consolidation: It is a combination of two or more companies into a 'new company'. In this form of merger, all companies are legally dissolved and a new entity is created or all the existing companies, which combine, go into liquidation and form a new company with a different entity. Here, the acquired company transfers its assets, liabilities and shares to the acquiring company for cash or exchange of shares. Consolidation i.e. two or more banks combine to form a new entity. In India the legal term for merger is amalgamation.

There are different types of concept in which merging of the companies take place like, Horizontal Merger, Vertical Merger, Conglomerate Merger, and Reverse Merger.

Acquisition in a general sense means acquiring the ownership in the property. It is the purchase by one company of controlling interest in the share capital of another existing company. Even after the takeover, although there is a change in the management of both the firms, companies retain their separate legal identity. The Companies remain independent and separate; there is only a change in control of the Companies.

Principle behind any M&A is 2+2=5

Motives behind Mergers and Acquisitions

The dominant rationale used to explain merger activity is that acquiring firms seek improved financial performance. The following motives are considered to improve financial performance:

1) **Economy of scale:** This refers to the fact that the combined company can often reduce its fixed costs by removing duplicate departments or operations, lowering the costs of the company relative to the same revenue stream, thus increasing profit margins.

2) **Economy of scope:** Economies of scope are conceptually similar to economies of scale. Whereas economies of scale for a firm primarily refers to reduction in the average cost (cost per unit) associated with increasing the scale of production for a single product type. It refers to lowering the average cost for a firm in producing two or more products. This implies that efficiencies primarily associated with demand-side changes, such as increasing or decreasing the scope of marketing and distribution, of different types of products.

3) **Increased revenue or market share:** Market share is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity. This assumes that the buyer will absorb competitor and thus increase its market power (by capturing increased market share) to set prices.

4) **Cross-selling:** Cross-selling is the action or practice of selling among or between clients, markets, traders, etc. or the action or practice of selling an additional product or service to an existing customer. This article deals exclusively with the meaning. In practice, businesses define cross-selling in many ways. Elements that might influence the definition include the size of the business, the industry sector it operates within and the financial motivations of those, required to define the term. For example, a bank buying a stock broker could then sell its banking products to the stock broker's customers, while the broker can sign up the bank's customers for brokerage accounts. Or, a manufacturer can acquire and sell complementary products.

5) **Synergy:** It is the interaction of multiple elements in a system to produce an effect different from or greater than the sum of their individual effects. Synergy is the magic force that allows enhancing cost efficiencies of the new business. Synergy takes the form of revenue enhancement and cost savings. For example, managerial economies such as the increased opportunity of managerial specialization. Another example is purchasing economies due to increased order size and associated bulk-buying discounts.

6) **Taxation:** A profitable company can buy a loss maker to use the target's loss as their advantage by reducing their tax liability. In the United States and many other countries, rules are in place to limit the ability of profitable companies to "shop" for loss making companies, limiting the tax motive of an acquiring company.

7) **Geographical or other diversification:** This is designed to smooth the earnings results of a company, which over the long term smoothen the stock price of a company, giving conservative investors more confidence for investing in the company. However, this does not always deliver value to shareholders. Resource transfer: resources are unevenly distributed across firms and the interaction of target and acquiring firm resources can create value either through overcoming information asymmetry or by combining scarce resources.

8) **Hiring:** some companies use acquisitions as an alternative to the normal hiring process. This is especially common when the target is a small private company or is in the startup phase. In this case, the acquiring company simply hires("acquires") the staff of the target private company, thereby acquiring its talent (if that is its main asset and appeal). The target private company simply dissolves and little legal issues are involved.

However, on an average, across the most commonly studied variables, acquiring firms' financial performance does not positively change as a function of their acquisition activity. Therefore, an additional motive for merger and acquisition that may not add shareholder value includes:

9) **Diversification:** While this may hedge a company against a downturn in an individual industry it fails to deliver value, since it is possible for individual shareholders to achieve the same hedge by diversifying their portfolios at a much lower cost than those associated with a merger.

10) **Manager's hubris:** Managerial hubris is the unrealistic belief held by managers inbidding firms that they can manage the assets of a target firm more efficiently than the target firm's current management. Managerial hubris is one reason why a manager may choose to invest in a merger that on average generates no profits. Manager's overconfidence about expected synergies from merger might results in overpayment for the target company.

11) **Empire-building:** Empire-Building refers to the tendency of countries and nations to acquire resources, land, and economic influence outside of their borders in order to expand their size, power, and wealth. Managers have larger companies to manage and hence more power.

12) **Manager's compensation:** In the past, certain executive management teams had their payout based on the total amount of profit of the company, instead of the profit per share, which would give the team a perverse incentive to buy companies in order to increase the total profit while decreasing the profit per share (which hurts the owners of the company, the shareholders).

Four important considerations should be taken into account:

a) The company must be willing to take the risk and vigilantly make investments to benefit fully from the merger as the competitors and the industry take heed quickly.

b) To reduce and diversify risk, multiple bets must be made, in order to narrow down to the one that will prove fruitful.

c) The management of the acquiring firm must learn to be resilient, patient and be able to adopt to the change owing to ever-changing business dynamics in the industry.

d) The important being the human amalgamation. The added workforce from the merged / acquired entity must be provided with conducive atmosphere to adapt with the new work culture. Many a time while all financial and other business factors are well rehearsed and managed, HR issues are hanged loosely. This may lead to conflict within work force and demoralization among employees capable enough to ruin all other expected benefits from the consolidation.

Some of the top Merger & Acquisition deals in India

TATA STEEL-CORUS: Tata Steel is one of the biggest ever Indian's steel company and the Corus is Europe's second largest steel company. In 2007, Tata Steel's takeover European steel major Corus for the price of $12.02 billion, making the Indian company, the world's fifth-largest steel producer. Tata Sponge iron, which was a low-cost steel producer in the fast developing region of the world and Corus, which was a high-value product manufacturer in the region of the world demanding value products. The acquisition was intended to give Tata steel access to the European markets and to achieve potential synergies in the areas of manufacturing, procurement, R&D, logistics, and back office operations.

VODAFONE-HUTCHISON ESSAR: Vodafone India Ltd. is the second largest mobile network operator in India by subscriber base, after Airtel. Hutchison Essar Ltd (HEL) was one of the leading mobile operators in India. In the year 2007, the world's largest telecom company in terms of revenue, Vodafone made a major foray into the Indian telecom market by acquiring a 52 percent stake in Hutchison Essat Ltd, a deal with the Hong Kong based Hutchison Telecommunication International Ltd. Vodafone main motive in going in for the deal was its strategy of expanding into emerging and high growth markets like India. Vodafone's purchase of 52% stake in Hutch Essar for about $10 billion. Essar group still holds 32% in the Joint venture.

HINDALCO-NOVELIS: The Hindalco Novelis merger marks one of the biggest mergers in the aluminum industry. Hindalco industries Ltd. is an aluminum manufacturing company and is a subsidiary of the Aditya Birla Group and Novelis is the world leader in aluminum rolling, producing an estimated 19 percent of the world's flat-rolled aluminum products. The Hindalco Company entered into an agreement to acquire the Canadian company Novelis for **$**6 billion, making the combined entity the world's largest rolled-aluminum Novelis operates as a subsidiary of Hindalco.

RANBAXY-DAIICHI SANKYO: Ranbaxy Laboratories Limited is an Indian multinational pharmaceutical company that was incorporated in India in 1961 and Daiichi Sankyo is a global pharmaceutical company, the second largest pharmaceutical company in Japan. In 2008, Daiichi Sankyo Co. Ltd., signed an agreement to acquire the entire shareholders of the promoters of Ranbaxy Laboratories Ltd, the largest pharmaceutical company in India. Ranbaxy's sale to Japan's Daiichi at the price of **$**4.5 billion.

ONGC-IMPERIAL ENERGY: Oil and Natural Gas Corporation Limited (ONGC), national oil company of India. Imperial Energy Group is part of the India National Gas Company, ONGC Videsh Ltd (OVL). Imperial Energy includes 5 independent enterprises operating in the territory of Tomsk region, including 2 oil and gas producing enterprises. Oil and Natural Gas Corp. Ltd (ONGC) took control of Imperial Energy UK Based firm operating in Russia for the price of **$**1.9 billion in early 2009. This acquisition was the second largest investment made by ONGC in Russia.

MAHINDRA & MAHINDRA- SCHONEWEISS: Mahindra & Mahindra Limited is an Indian multinational automobile manufacturing corporation headquarters in Mumbai, India. It is one of the largest vehicles manufacturer by production in India. Mahindra & Mahindra acquired 90 percent of Schoneweiss, a leading company in the forging sector in Germany. The deal took place in 2007, and consolidated Mahindra's position in the global market.

STERLITE- ASARCO: Sterlite is India's largest non-ferrous metals and mining company with interests and operations in aluminum, copper and zinc and lead. Sterlite has a world class copper smelter and refinery operations in India. Asarco, formerly known as American Smelting and Refining Company, is currently the third largest copper producer in the United States of America. In the year 2009, Sterlite Industries, a part of the Vedanta Group signed an agreement regarding the acquisition of copper mining company Asarco for the price of **$** 2.6 billion. The deal surpassed Tata's **$**2.3 billion deal of acquiring Land Rover and Jaguar. After the finalization of the deal Sterlite would become third largest copper mining company in the world.

TATA MOTORS-JAGUAR LAND ROVER: Tata Motors Limited (TELCO), is an Indian multinational automotive manufacturing company headquartered in Mumbai, India and a subsidiary of the Tata Group and the Jaguar Land Rover Automotive PLC is a British multinational automotive company headquarters in Whitley, Coventry, United Kingdom, and now a subsidiary of Indian automaker Tata Motors. Tata Motors acquisition of luxury car maker Jaguar Land Rover was for the price of **$**2.3 billion. This could probably be the most ambitious deal after the Ranbaxy won. It certainly landed Tata Motors in a lot of troubles.

SUZLON-REPOWER: Suzlon Energy Limited is a wind turbine supplier based in Pune, India and RePower systems SE (now Senvion SE) is a German wind turbine company founded in 2001, owned by Centerbridge Partners. Wind Energy premier Suzlon Energy's acquisition of RePower for **$**1.7 billion.

RIL-RPL MERGER: Reliance Industries Limited (RIL) is an Indian Conglomerate holding company headquartered in Mumbai, India. Reliance is the most profitable company in India, the second-largest publicly traded company in India by market capitalization. Reliance Petroleum Limited was set up by Reliance Industries Limited (RIL), one of India's largest private sector companies based in Ahmedabad. Currently, Reliance Industries taking over Reliance Petroleum Limited (RPL) for the price of 8500 crores or **$**1.6 billion.

Conclusion:

M&A's are considered as important change agents and are a critical component of any business strategy. The known fact is that with businesses evolving, only the most innovative and nimble can survive. That is why, it is an important strategic call for a business to opt for any arrangements of M&A. Once through the process, on a lighter note M&A is like an arranged marriage, partners will take time to understand, mingle, but will end up giving positive results most of the times. ❑

NET STABLE FUNDING RATIO (NSFR)

Introduction

The Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. "Basel III: International framework for liquidity risk measurement, standards and monitoring" was issued in December 2010 which presented the details of global regulatory standards on liquidity. Two minimum standards, viz., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity were prescribed by the Basel Committee for achieving two separate but complementary objectives.

The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. The NSFR promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. The latest RBI guideline has taken care of unintended consequences for financial market functioning and the economy, and on improving its design with respect to several key issues, notably: (i) the impact on retail business activities; (ii) the treatment of short-term matched funding of assets and liabilities; and (iii) analysis of sub-one year buckets for both assets and liabilities.

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Definition of NSFR

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

Minimum Requirement of Stable Fund

$$\text{NSFR} = \frac{\text{(Available Stable Funding (ASF))}}{\text{(Required Stable Funding(RSF))}} \geq 100\%$$

The above ratio should be equal to at least 100% on an ongoing basis. However, the NSFR would be supplemented by supervisory assessment of the stable funding and liquidity risk profile of a bank. On the basis of such assessment, the Reserve Bank may require an individual bank to adopt more stringent standards to reflect its funding risk profile and its compliance with the Sound Principles. NSFR would be binding on banks with effect from a date which will be communicated in due course. The NSFR would be applicable for Indian banks at the solo as well as consolidated level. For foreign banks operating as branches in India, the framework would be applicable on stand-alone basis for Indian operations only.

Calibrations of ASF and RSF - Criteria and Assumptions

ASF and RSF reflect the amount of funding available and required for liabilities and assets (including off balance sheet assets).The amounts of ASF and RSF specified in the BCBS standard are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

The calibration reflects the stability of liabilities across two dimensions:

a) **Funding tenor -** The NSFR is generally calibrated such that longer-term liabilities are assumed to be more stable than short-term liabilities.

b) **Funding type and counterparty -** The NSFR is calibrated under the assumption that short-term (maturing in less than one year) deposits provided by retail customers and funding provided by small business customers are behaviorally more stable than wholesale funding of the same maturity from other counterparties.

In determining the appropriate amounts of required stable funding for various assets, the following criteria are taken into consideration, recognizing the potential trade-offs between these criteria:

a) **Resilient credit creation -** The NSFR requires stable funding for some proportion of lending to the real economy in order to ensure the continuity of this type of intermediation.

b) **Bank behavior -** The NSFR is calibrated under the assumption that banks may seek to roll over a significant proportion of maturing loans to preserve customer relationships.

c) **Asset tenor -** The NSFR assumes that some short-dated assets (maturing in less than one year) require a smaller proportion of stable funding because banks would be able to allow some proportion of those assets to mature instead of rolling them over.

d) **Asset quality and liquidity value -** The NSFR assumes that unencumbered, high- quality assets that can be securitized or traded, and thus can be readily used as collateral to secure additional funding or sold in the market, do not need to be wholly financed with stable funding.

Additional stable funding sources are also required to support at least a small portion of the potential calls on liquidity arising from Off balance sheet (OBS) commitments and contingent funding obligations.

A. Definition and computation of Available Stable Funding(ASF)

The amount of ASF is measured, based on the broad characteristics of the relative stability of an institution's funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by first assigning the carrying value of an institution's capital and liabilities to one of five categories as presented below. The amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts. Carrying value

represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments.

1. Liabilities and capital instruments receiving 100% ASF factor comprise:

a) the total amount of regulatory capital, before the application of capital deductions, excluding the proportion of Tier 2 instruments with residual maturity of less than one year;

b) the total amount of any capital instrument not included in (a) that has an effective residual maturity of one year or more, but excluding any instruments with explicit or embedded options that, if exercised, would reduce the expected maturity to less than one year; and

c) the total amount of secured and unsecured borrowings and liabilities (including term deposits) with effective residual maturities of one year or more. Cash flows due before the one-year horizon but arising from liabilities with a final maturity greater than one year do not qualify for the 100% ASF factor.

2. Liabilities receiving 95% ASF factor

a) Liabilities receiving a 95% ASF factor comprise "stable" non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail and small business customers.

3. Liabilities receiving 90% ASF factor

a) Liabilities receiving a 90% ASF factor comprise "less stable" non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail and small business customers.

4. Liabilities receiving 50% ASF factor comprise:

a) funding (secured and unsecured) with a residual maturity of less than one year provided by non-financial corporate customers;

b) operational deposits

c) funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks (NABARD, NHB & SIDBI); and

d) other funding (secured and unsecured) not included in the categories above with residual maturity between six months to less than one year, including funding from RBI and/or other central banks and financial institutions.

5. Liabilities receiving 0% ASF factor comprise:

a) all other liabilities and equity categories not included in the above categories, including other funding with residual maturity of less than six months from RBI and/or other central banks and financial institutions;

b) other liabilities without a stated maturity. This category may include short positions and open maturity positions. Two exceptions can be recognized for liabilities without a stated maturity:

- first, deferred tax liabilities, which should be treated according to the nearest possible date on which such liabilities could be realized
- second, minority interest, which should be treated according to the term of the instrument, usually in perpetuity.

These liabilities would then be assigned either a 100% ASF factor if the effective maturity is one year or greater, or 50%, if the effective maturity is between six months and less than one year;

c) NSFR derivative liabilities as calculated in following descriptions, net of NSFR derivative assets as calculated below, if NSFR derivative liabilities are greater than NSFR derivative assets; and

d) "trade date" payables arising from purchases of financial instruments, foreign currencies and commodities that (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or (ii) have failed to, but are still expected to, settle.

6. ASF - Other Requirements

Calculation of derivative liability amounts

Derivative liabilities are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a negative value. If the derivative exposure is covered by an eligible bilateral netting contract, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost. In calculating NSFR derivative liabilities, collateral posted in the form of variation margin in connection with derivative contracts, regardless of the asset type, must be deducted from the negative replacement cost amount.

When determining the maturity of an equity or liability instrument, investors are assumed to redeem a call option at the earliest possible date. For funding with options exercisable at the bank's discretion, the RBI may take into account reputational factors that may limit a bank's ability not to exercise the option. In particular, where the market expects certain liabilities to be redeemed before their legal final maturity date, banks should assume such behavior for the purpose of the NSFR and include these liabilities in the corresponding ASF category. For long- dated liabilities, only the portion of cash flows falling at or beyond the six-month and one-year time horizons should be treated as having an effective residual maturity of six months or more and one year or more, respectively.

B) Definition and computation of Required Stable Funding (RSF)

The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of an institution's assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets of different categories. Unless explicitly stated otherwise in the NSFR standard, assets should be allocated to maturity buckets according to their contractual residual maturity. However, this should take into account embedded optionality, such as put or call options, which may affect the actual maturity date. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor, and the total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor.

1. Assets assigned 0% RSF factor comprises:

a) coins and banknotes immediately available to meet obligations;

b) CRR (including required reserves and excess reserves);all claims on RBI with residual maturities of less than six months;

c) "trade date" receivables arising from sales of financial instruments, foreign currencies and commodities that (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or (ii) have failed to, but are still expected to, settle.

2. Assets assigned 5% RSF factor

a) Assets assigned 5% RSF factor comprise unencumbered Level1* assets excluding assets receiving a 0% RSF as specified above, and including:
- marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and the European Community, or multilateral development banks that are assigned a 0% risk weight under the Basel II Standardized Approach for credit risk;
- certain non-0% risk-weighted sovereign or central bank debt securities
- Unencumbered SLR securities

3. Assets assigned a 10% RSF factor

a) Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1* assets and where the bank has the ability to freely re- hypothecate the received collateral for the life of the loan.

4. Assets assigned a 15% RSF factor comprise:

a) unencumbered Level 2A** assets including:
- marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs or multilateral development banks that are assigned a 20% risk weight under the Basel II Standardized Approach for credit risk; and

- corporate debt securities (including commercial paper) and covered bonds with a credit rating equal or equivalent to at least AA-;

b) all other standard unencumbered loans to financial institutions with residual maturities of less than six months not included above.

5. Assets assigned a 50% RSF factor comprise:

(a) Unencumbered Level 2B*** assets as defined and subject to the conditions as defined in LCR (liquidity coverage ratio) including:

- residential mortgage-backed securities (RMBS) with a credit rating of at least AA;
- corporate debt securities (including commercial paper) with a credit rating of between A+ and BBB- ; and
- exchange-traded common equity shares not issued by financial institutions or their affiliates;

b) any HQLA as defined in the LCR that are encumbered for a period of between six months and less than one year;

c) all loans to financial institutions and central banks with residual maturity of between six months and less than one year; and

d) deposits held at other financial institutions for operational purposes that are subject to the 50% ASF factor ; and

e) all other non-HQLA not included in the above categories that have a residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail customers (i.e. natural persons) and small business customers, and loans to sovereigns, PSEs and national development banks (NABARD, NHB & SIDBI).

6. Assets assigned a 65% RSF factor comprise:

(a) unencumbered residential mortgages with a residual maturity of one year or more that would qualify for the minimum risk weight under the Basel II Standardized Approach for credit risk; and

(b) other unencumbered loans not included in the above categories (including loans to sovereigns and PSEs with a residual maturity of one year or more), excluding loans to financial institutions, with a residual maturity of one year or more that would qualify for a 35% or lower risk weight under the Basel II Standardized Approach for credit risk.

7. Assets assigned an 85% RSF factor comprise:

(a) Cash, securities or other assets posted as initial margin for derivative contracts (regardless of whether these assets are on- or off-balance sheet) and cash or other assets provided to contribute to the default fund of a central counterparty (CCP). Where securities or other assets posted as initial margin for derivative contracts would otherwise receive a higher RSF factor, they should retain that higher factor. For OTC transactions, any fixed independent amount a bank was contractually required to post at the inception of the derivatives transaction should be considered as initial margin, regardless of whether any of this margin was returned to the bank in the form of variation margin (VM) payments. If the initial margin (IM) is formulaically defined at a portfolio level, the amount considered as initial margin should reflect this calculated amount as of the NSFR measurement date, even if, for example, the total amount of margin physically posted to the bank's counterparty is lower because of VM payments received. For centrally cleared transactions, the amount of initial margin should reflect the total amount of margin posted (IM and VM) less any mark-to- market losses on the applicable portfolio of cleared transactions.

(b) other unencumbered performing loans that do not qualify for the 35% or lower risk weight under the Basel II Standardized Approach for credit risk and have residual maturities of one year or more, excluding loans to financial institutions;

(c) unencumbered securities with a remaining maturity of one year or more and exchange- traded equities, that are not in default and do not qualify as SLR/ HQLA according to the LCR; and

(d) Physical traded commodities, including gold.

8. Assets assigned a 100% RSF factor comprise:

(a) all assets that are encumbered for a period of one year or more;

(b) NSFR derivative assets net of NSFR derivative liabilities, if NSFR derivative assets are greater than NSFR derivative liabilities;

(c) all other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange- traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities; and

(d) 5% of derivative liabilities (i.e. negative replacement cost amount) (before deducting variation margin posted).

(e) All 'standard' restructured loans which attract higher risk and/or additional provisioning.

9. RSF - Other Requirements

The RSF factors assigned to various types of assets are intended to approximate the amount of a particular asset that would have to be funded, either because it will be rolled over, or because it would not be monetized through sale or used as collateral in a secured borrowing transaction over the course of one year without significant expense. Under the standard, such amounts are expected to be supported by stable funding.

Assets should be allocated to the appropriate RSF factor based on their residual maturity or liquidity value. When determining the maturity of an instrument, investors should be assumed to exercise any option to extend maturity. For assets with options exercisable at the bank's discretion, RBI may take into account reputational factors that may limit a bank's ability not to exercise the option and prescribe higher RSF Factor. In particular, where the market expects certain assets to be extended in their maturity, banks should assume such behavior for the purpose of the NSFR and include these assets in the corresponding RSF category. If there is a contractual provision with a review date to determine whether a given facility or loan is renewed or not, RBI may authorize banks on a case by case basis, to use the next review date as the maturity date.

For purposes of determining its required stable funding, an institution should

1) include financial instruments, foreign currencies and commodities for which a purchase order has been executed, and

2) exclude financial instruments, foreign currencies and commodities for which a sales order has been executed, even if such transactions have not been reflected in the balance sheet under a settlement-date accounting model, provided that (i) such transactions are not reflected as derivatives or secured financing transactions in the institution's balance sheet, and (ii) the effects of such transactions will be reflected in the institution's balance sheet when settled.

C. Off balance Sheet Items which require stable Funding

1. OBS exposure assigned 5% of RSF- Currently undrawn portion

- Irrevocable and conditionally revocable credit and liquidity facilities to any client
- Other contingent funding obligations, including products and instruments
- Unconditionally revocable credit and liquidity facilities

2. Non OBS exposure assigned 3% of RSF of the currently undrawn portion

- contractual obligations such as:
  - ✓ potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities
  - ✓ structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs)

- ✓ managed funds that are marketed with the objective of maintaining a stable value
- Trade finance-related obligations (including guarantees and letters of credit)
- Guarantees and letters of credit unrelated to trade finance obligations

Encumbered assets:

Assets on the balance sheet that are encumbered for one year or more receive a 100% RSF factor. Assets encumbered for a period of between six months and less than one year that would, if unencumbered, receive an RSF factor lower than or equal to 50%, receive a 50% RSF factor. Assets encumbered for between six months and less than one year that would, if unencumbered, receive an RSF factor higher than 50%, retain that higher RSF factor. Where assets have less than six months remaining in the encumbrance period, those assets may receive the same RSF factor as an equivalent asset that is unencumbered. In addition, for the purposes of calculating the NSFR, assets that are encumbered for exceptional central bank liquidity operations may receive RSF factor which must not be lower than the RSF factor applied to the equivalent asset that is unencumbered.

Encumbrance treatment applied to secured lending (e.g. reverse repo) where collateral received does not appear on bank's balance sheet, and it has been re-hypothecated or sold thereby creating a short position. The encumbrance treatment should be applied to the on- balance sheet receivable to the extent that the transaction cannot mature without the bank returning the collateral received to the counterparty. For a transaction to be "unencumbered", it must be "free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer or assign the asset". Since the liquidation of the cash receivable is contingent on the return of collateral that is no longer held by the bank, the receivable should be considered as encumbered.

When the collateral received from a secured funding transaction has been re-hypothecated, the receivable should be considered encumbered for the term of the re-hypothecation of the collateral. When the collateral received from a secured funding transaction has been sold outright, thereby creating a short position, the receivable related to the original secured funding transaction should be considered encumbered for the term of the residual

maturity of this receivable. Thus, the on-balance sheet receivable should:

- be treated accordingly, if the remaining period of encumbrance is less than six months (i.e. it is considered as being unencumbered in the NSFR);
- be assigned a 50% or higher RSF factor if the remaining period of encumbrance is between six months and less than one year. and
- be assigned a 100% RSF factor if the remaining period of encumbrance is greater than one year.

Encumbrance treatment applied to secured lending (e.g. reverse repo) transactions where collateral received appears on bank's balance sheet, and it has been re-hypothecated or sold thereby creating a short position-Collateral received that appears on a bank's balance sheet and has been re-hypothecated (e.g. encumbered to a repo) should be treated as encumbered.

Consequently, the collateral received should:

- be treated as being unencumbered if the remaining period of encumbrance is less than six months according to the NSFR standard, and receive the same RSF factor as an equivalent asset that is unencumbered;
- be assigned a 50% or higher RSF factor if the remaining period of encumbrance is between six months and less than one year.
- be assigned a 100% RSF factor if the remaining period of encumbrance is greater than one year..

Calculation of derivative asset amounts:

Derivative assets are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a positive value. When an eligible bilateral netting contract is in place, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost.

In calculating NSFR derivative assets, collateral received in connection with derivative contracts may not offset the positive replacement cost amount, regardless of whether or not netting is permitted under the bank's operative accounting or risk-based framework, unless it is received in the form of cash variation margin of the Revised Framework for Leverage Ratio . Any remaining balance sheet liability associated with (a) variation margin received that does not meet the criteria above or (b) initial margin received may not offset derivative assets and should be assigned a 0% ASF factor.

If an on-balance sheet asset is associated with collateral posted as initial margin to the extent that the bank's accounting framework reflects on balance sheet, for purposes of the NSFR, that asset should not be counted as an encumbered asset in the calculation of a bank's RSF to avoid any double-counting.

Derivative transactions with central banks arising from the latter's short-term monetary policy and liquidity operations to be excluded from the reporting bank's NSFR computation and to offset unrealized capital gains and losses related to these derivative transactions from ASF. These transactions include foreign exchange derivatives such as foreign exchange swaps, and should have a maturity of less than six months at inception. As such, the bank's NSFR would not change due to entering a short-term derivative transaction with its central bank for the purpose of short-term monetary policy and liquidity operations.

Frequency of calculation and reporting

Banks are required to meet the NSFR requirement on an ongoing basis and they should have the required systems in place for such calculation and monitoring. The NSFR as at the end of each quarter (starting date will be announced in due course) should be reported to the RBI (Department of Banking Supervision, CO) in the prescribed format (Base-III Liquidity Returns-BL R 7) within 15 days from the end of the quarter.

NSFR Disclosure Standards

To promote the consistency and usability of disclosures related to the NSFR, and to enhance market discipline, banks will be required to publish their NSFRs according to a common template as stipulated by RBI. Banks must publish this disclosure along with the publication of their financial statements, irrespective of whether the financial statements are audited. The NSFR information must be calculated on a consolidated basis and presented in Indian Rupee.

Banks must also make available on their websites, or through publicly available regulatory reports, an archive of all templates relating to prior reporting periods. Both un-weighted and weighted values of the NSFR components must be disclosed unless otherwise indicated. Weighted values are calculated as the values after ASF or RSF factors are applied. In addition to the prescribed common template, banks should provide a sufficient qualitative discussion around the NSFR to facilitate an understanding of the results and the accompanying data.

Conclusion

NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability of erosion of a bank's liquidity position due to disruptions in a bank's regular sources of funding that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

Note:-

**Level 1: these assets is the stock of liquid assets without any limit as also without applying any haircut:i. Cash including cash reserves in excess of required CRR. ii. Government securities in excess of the minimum SLR requirement etc.*

Level 2 assets (comprising Level 2A assets and Level 2B assets), the Stock of liquid assets, subject to the requirement that they comprise not more than 40% of the overall stock of HQLAs after haircuts have been applied.

*(a) **Level 2A Assets: A minimum 15% haircut should be applied to the current market value. Level 2A assets are limited i. Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight.*

*(b) *** Level 2B Assets: Corporate debt securities (including commercial paper) in this respect include only plain-vanilla assets whose valuation is readily available. A minimum 50% haircut should be applied to the current market value of each Level 2B asset held in the stock.* ❑

COVID - CORPORATE DEBTOR - CENTRAL BANK

Introduction

The Reserve Bank of India (the "RBI") being the Central Bank has been trying to shield the borrowers from the effect of Covid-19 since the beginning of the pandemic by announcing several measures to mitigate the immediate impact on various sectors. One of the first set of measures announced by the RBI were the introduction of moratorium period of 6 (six) months in repayment of the borrowings to alleviate the immediate financial stress on the borrowers.

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The aforesaid moratorium ended on 31st August 2020. To further ease the financial difficulties of the borrowers and keeping the Covid-19 affected borrowers outside the ambit of Non-Performing Assets ("NPA"), the RBI introduced a one-time window by issuing a circular on Resolution Framework for COVID-19 related stress dated 6th August 2020 (the "Covid Framework").

Covid Framework

Under the Covid Framework, the lending institutions have been allowed to restructure a loan in respect of corporate exposures and personal loans which are under stress due to COVID-19. Banks are allowed to keep the asset standard even if there is no change of ownership.

[1] Date on which both the borrower and lending institution have agreed to proceed with a resolution plan under the Covid Framework. If there are multiple lenders to the borrower, the resolution process shall be treated as invoked if lenders representing 75 percent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 percent of lenders by number agree to invoke the same.

Key points for corporates and their financiers

Sr. No.	Particulars	Responses
1)	Beneficiary	Borrower account which were classified as standard, but not in default for more than 30 days as on 1st March 2020 and continue to remain standard till the invocation date[1].
2)	Applicability	All the exposures of Commercial Banks, Specific Categories of Co-operative Banks, All-India Financial Institutions and Non-Banking Financial Companies (including Housing Finance Companies).
3)	Resolution Plan ("RP")	(a) Sanctioning of additional credit facilities; (b) Extension of the residual tenor of the loan even with moratorium up to two years; (c) Conversion of a portion of the debt into equity or other marketable, non-convertible debt securities; (d) Any other mode permissible in prudential framework; and (e) No compromise settlements.
4)	Timelines/Period	Timelines (a) Invocation Date: Latest by 31st December 2020; (b) Implementation Date (of RP): Within 180 days from the date of Invocation; and (c) Signing of ICA (in case of multiple lenders): Within 30 days of Invocation Date. Period (a) Monitoring period: From the implementation date till the borrower pays 10% of the residual debt, subject to a minimum of 1 year from the date of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium; and (b) Review Period: It is a period of 30 days which gets triggered on default of the borrower during the monitoring period.
5)	Asset Classification	(a) On successful implementation of the RP within the timelines, the borrowers' accounts shall remain standard or upgraded as standard (if slipped to NPA during implementation); and (b) Post implementation of RP, if the borrower is in default at the end of the Review Period, the asset classification of the borrower with all lending institutions shall be downgraded to NPA from the implementation date or the date from which the borrower had been classified as NPA before implementation of the RP, whichever is earlier.
6)	Provisioning	(a) **Timely execution of ICA:** Provisions as per the extant IRAC norms immediately before implementation, or 10% of the total debt post implementation of the RP (residual debt). (b) **Delay in execution of ICA:** The provisions required as per extant IRAC norms or provisions of 20% of the debt on their books as on the date after expiry of 30 days (carrying debt), whichever is higher.

Sr. No.	Particulars	Responses
7)	Breach of Timelines	On breach of timelines, resolution process ceases to apply immediately. Any resolution plan implemented in breach of the above stipulated timelines shall go back under the prudential framework, or the relevant instructions as applicable to specific category of lending institutions as if the resolution window was never invoked.

Supreme Court in Action

1) Several writ petitions were filled before the Supreme Court of India ("SC") since the beginning of the lockdown in March 2020, challenging various measures announced by the RBI to mitigate the immediate impact on various sectors in the wake of Covid-19.

2) An interim order was passed by the SC in September 2020, directing that all the accounts which were standard as on 31st August 2020 shall not be declared NPA till further orders, which is still continuing.

3) The Central Government in its response before SC stated that they are willing to waive off interest on interest (compound interest) applied during the period of 6 months moratorium, for inter alia all retail and MSME loans of up to INR 2 crores (Indian Rupees Two Crores only). Pursuant to the above, the Ministry of Finance has issued a scheme dated 23rd October 2020, whereby they have directed the financial institutions to credit the difference between the compound interest and simple interest for the six month moratorium period between 1st March 2020 and 31st August 2020 into the eligible loan accounts by 5th November 2020.

4) The RBI has also urged to SC:

   a) to vacate the stay imposed by its interim order against classification of accounts as NPAs; and

   b) not to extend the period of loan moratorium as extending the loan moratorium for further 6 (six) months will have an impact on the credit behaviour of the borrowers.

Conclusion

Indian central bank has made some welcome policy changes by giving timely moratorium and creating a restructuring window for pandemic hit borrower accounts. However, in this phase of restrictive mobility it is still unclear that whether the timelines provided to avail the benefit can be met. It will definitely be a task for the RBI to achieve the balance between the well being of the banks and debtor in difficult times. We are hopeful that RBI might consider some further relaxations in the parameters of Covid Framework to make it workable for all the market participants.

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Date for availing direct tax dispute resolution scheme till Dec 31

The government has extended the last date for availing the direct tax dispute resolution scheme till December 31, 2020, the finance ministry notified. Taxpayers willing to settle their tax disputes under the Direct Tax Vivad se Vishwas Act can file their declarations till December 31, and will be mandated to pay the settled tax amount by March 31, 2021, with a complete waiver of interest and penalty. After April 1, 2021, a 10% higher amount will have to be paid.

Further, where arrears relate to disputed interest or penalty only, then 25% of the amount is to be paid by March 31, 2021 and 30% after April 1, 2021. The extension has been provided "in order to provide further relief to the taxpayers desirous of settling disputes under the scheme," the Central Board of Direct Taxes (CBDT) said.

Finance secretary Ajay Bhushan Pandey has asked tax officials to expedite the Scheme which, he said, is highly beneficial to the taxpayers, after reviewing the progress made so far by the income tax department on the scheme in a high level meeting. "We need to advance the Vivad se Vishwas Scheme with greater persuasion and perseverance and must reach out to the taxpayers to facilitate all necessary handholding," he said.

Reverse charge system in GST, a grey area

The reconciliation of the tax liability as per the books of account vis-àvis the GST returns is a tedious exercise for filing of annual return and GST audit.

While undertaking the exercise of reconciliation, in some cases the taxpayers may identify instances where the supplier has discharged tax under forward charge, though the tax was required to be paid by the recipient under reverse charge. The nuances in this regard need to be understood.

The reverse charge mechanism (RCM) on supply of service was first introduced with effect from January 1, 2005, under Finance Act 1994. Initially, a few services were brought under the ambit of RCM. Later, vide Notification No. 30/2012-S.T. of June 20, 2012, a number of services were added.

The above was also continued under the GST laws and services where tax is payable under RCM, which was notified vide Notification No. 13/2017-Central Tax (Rate) of June 28, 2017, as amended from time to time (for brevity

"RCM Notification"). Will the tax paid by service provider under forward charge absolve the recipient from payment of tax? Let us take the example of Entry No. 4 to the RCM Notification. In the said entry, if services are provided by way of sponsorship to any body corporate or partnership firm, then the corporate or partnership firm located in the taxable territory is liable to pay tax under RCM on the said services.

Reverse charge mechanism

A perusal of the above entry will lead to the conclusion that the recipient of service will be liable to pay tax under RCM where the services are supplied by way of sponsorship to a company. The recipient company may not be absolved from payment of GST even in case the sponsor has discharged GST by virtue of Entry No. 4 to the RCM Notification.

It may however be noted that in the case of Lilason Breweries v. CCE [(2010) 24 STT 279 (CESTAT SMB)], service tax was paid by transporters themselves though the tax was required to be paid under RCM by the recipient. It was held that demand of tax again on the same service is not sustainable. A similar view was taken in CCE v. Om Tea Company (2012) 36 STT 91 (CESTAT) and Umasons Auto Compo Pvt. Ltd. v. CCE 2017 (47) S.T.R. 377 (Tri. - Mumbai).

Similarly, in Sanjivani SSK Ltd. v. CCE [(2009) 241 ELT 431 (CESTAT)], excise duty on molasses was paid by the manufacturer (though it was payable by procurer). It was held that the duty cannot be demanded from the procurer as it would lead to double taxation on the same goods.

Applying the ratio of the above decisions, a view may be taken that where the tax is already paid by the supplier, though the same was required to be paid by the recipient, there cannot be a demand of tax on the recipient.

Continuing with the example discussed, in case the sponsor supplies services to a body corporate and discharges tax on forward charge basis, then a question may arise whether the recipient will be entitled to take ITC (input tax credit) of taxes paid by the said supplier.

In terms of Section 16(1) of the CGST Act, every registered person shall, subject to such conditions and restrictions as prescribed, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business.

The condition prescribed under Section 16(1) is that the recipient is entitled to take ITC of tax charged on any supply The provision does not contemplate any scenario where ITC can be availed of only if tax was liable to paid on such supplies by the supplier or recipient. Therefore, a view can be taken that the recipient would be entitled to take credit of tax charged on the supplies. In this regard, reference can be to the decision of CESTAT, Mumbai, in the Sanjivani SSK Ltd case wherein it was held that the procurer can get Cenvat credit of duty paid by manufacturer on molasses, as what matters is whether duty was paid on the inputs and not whether duty was payable thereon. *(Source: BL)*

Four years since demonetisation: Cash in system steadily rising

Four years after the government announced demonetisation on November 8, 2016, the currency with public for the fortnight ended October 23, 2020 stood at a record high of Rs 26.19 lakh crore - up 45.7 per cent or Rs 8.22 lakh crore from a level of Rs 17.97 lakh crore on November 4, 2016. In the fortnight ended October 23, 2020, the currency with public rose by Rs 10,441 crore to hit a new high.

After Rs 500 and Rs 1,000 notes were withdrawn from the system in November 2016, currency with the public, which stood at Rs 17.97 lakh crore on November 4, 2016, declined to Rs 7.8 lakh crore in January 2017 soon after demonetisation.

Cash in the system has been steadily rising, even though the government and the Reserve Bank of India (RBI) pushed for a "less cash society", digitisation of payments and slapped restrictions on the use of cash in various transactions.

However, the pace of rise in currency with the public has been very sharp over that last 10 months as it has risen from Rs 21.79 lakh crore as on January 3, 2020 to Rs 26.19 lakh crore as on October 23, 2020.

The jump was primarily driven by a rush for cash by the public between March and May as the government announced stringent lockdown to tackle the spread of the Covid-19 pandemic. As nations around the world announced lockdowns in February and the Indian government also prepared to announce lockdown, people began accumulating cash to meet their grocery and other essential needs that was being mainly catered by neighbourhood grocery stores.

As per the RBI definition, currency with public is arrived at after deducting cash with banks from total currency in circulation. Currency in circulation refers to cash or currency within a country that is physically used to conduct transactions between consumers and businesses.

Earlier, the sudden withdrawal of notes in November 2016 roiled the economy, with demand falling, businesses facing a crisis and gross domestic product (GDP) growth declining nearly 1.5 per cent. Many small units were hit hard and shut shutters after the note ban. It also created a liquidity shortage.

However, a senior banker said the rise in currency in circulation in absolute numbers is not the reflection of reality. "What needs to be taken into account is the currency to GDP ratio, which had come down after demonetisation. But this would have gone up of late with the decline in the growth," he said.

According to an RBI study on digital payments, although digital payments have been growing gradually in recent years, both in value and volume terms across countries, the data suggests that during the same time currency in circulation to GDP ratio has increased in consonance with the overall economic growth.

"Several anomalies, however, are visible in the trend: first, the spread and intensity of use of digital payments does not seem to have any specific relationship with how developed a country is," the RBI study said. "An increase in digital payments to GDP ratio over a period of time does not seem to automatically imply a fall in the currency to GDP ratio of the country," it added.

Cash transactions through ATMs were also rising steadily. From Rs 2,00,648 crore in January 2017, debit card transactions through ATMs and PoS (point of sale) terminals rose to Rs 2,37,778 crore in August 2020, as per the Reserve Bank data.

Unified Payments Interface (UPI) transaction volume declined by 5.9 per cent in March 2020 and further by 19.8 per cent in April 2020 to slightly less than one billion transactions. However, it recovered as the lockdown was gradually lifted. *(Source: The Indian Express)*

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Module -7- Types of risks

Module -8- Models for Estimation of Risk

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Course Details

Course Duration/ Time	30 Hours / 8 Week
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Mode of Delivery	Online. E learning Modules
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Course Methodology

i) Online Course spread over eight week (E Learning Modules)

ii) 8 Modules of three hours each Plus Project

iii) Quiz during each module to check understanding

iv) Query Management Sessions by Experts

v) Individual Project and Guidelines

vi) Course Completion Assessment

vii) Final Exam by Remote Invigilation

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RBI CIRCULAR

Establishment of Branch Office (BO) / Liaison Office (LO) / Project Office (PO) or any other place of business in India by foreign law firms

RBI/2020-21/69

November 23, 2020

1. Attention of the Authorised Dealer (AD - Category I) banks is invited to AP (DIR Series) Circular No. 23 dated October 29, 2015, on the above issue advising that no fresh permissions/ renewal of permission shall be granted by the Reserve Bank/AD Category-I banks to any foreign law firm for opening of Liaison Office in India, till the policy is reviewed based on, among others, final disposal of the matter by the Hon'ble Supreme Court.
2. The Hon'ble Supreme Court has while disposing of the case, held that advocates enrolled under the Advocates Act, 1961 alone are entitled to practice law in India and that foreign law firms/companies or foreign lawyers cannot practice profession of law in India. As such, foreign law firms/companies or foreign lawyers or any other person resident outside India, are not permitted to establish any branch office, project office, liaison office or other place of business in India for the purpose of practicing legal profession. Accordingly, AD Category – I banks are directed not to grant any approval to any branch office, project office, liaison office or other place of business in India under FEMA for the purpose of practicing legal profession in India. Further, they shall bring to the notice of the Reserve Bank in case any such violation of the provisions of the Advocates Act comes to their notice.
3. All other provisions of the BO/LO/PO policy shall remain unchanged. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.
4. The Master Direction No. 10 dated January 1, 2016 is being updated simultaneously to reflect the changes.
5. The directions contained in this circular have been issued under Section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

(Ravinder Singh Amar)
Chief General Manager

Maintenance of Escrow Account with a Scheduled Commercial Bank

RBI/2020-21/68

November 17, 2020

1. A reference is invited to the instructions issued by Reserve Bank of India vide (a) DPSS.CO.PD.No.1164/ 02.14.006/2017-18 dated October 11, 2017 (updated as on February 28, 2020) on 'Issuance and Operation of Prepaid Payment Instruments (PPIs)'; and (b) DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 on 'Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)'.

2. An authorised PPI Issuer or a PA is required to maintain an escrow account with a scheduled commercial bank on an ongoing basis. With a view to diversify risk and address business continuity concerns, it has been decided to allow one additional escrow account in a different scheduled commercial bank. The relevant instructions are being modified as per Annex 1 and 2 to this circular.
3. These directions are issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007.

(P. Vasudevan)
Chief General Manager

Discontinuation of Returns/Reports under Foreign Exchange Management Act, 1999

RBI/2020-21/66

November 13, 2020

1. The attention of Authorised Persons is invited to the Master Direction - Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016, as amended from time to time, and other reporting related instructions issued by the Reserve Bank of India.
2. With a view to improve the ease of doing business and reduce the cost of compliance, the existing forms and reports prescribed under FEMA, 1999, were reviewed by the Reserve Bank. Accordingly, it has been decided to discontinue the 17 returns/reports as listed in the Annexure with immediate effect.
3. The Master Direction - Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016, shall accordingly be updated to reflect the above changes. AD banks may bring the contents of this circular to the notice of their constituents.
4. The directions contained in this circular have been issued under Section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

(Ravinder Singh Amar)
Chief General Manager

24x7 Availability of Real Time Gross Settlement (RTGS) System

RBI/2020-21/70

December 04, 2020

1. A reference is invited to the Statement on Developmental and Regulatory Policies dated October 09, 2020 wherein Reserve Bank of India (RBI) had announced making available the Real Time Gross Settlement (RTGS) system round the clock on all days. Accordingly, it has been decided to make RTGS available round the clock on all days of the year with effect from 00:30 hours on December 14, 2020.
2. Members are advised as under:
   i) RTGS shall be available for customer and inter-bank transactions round the clock, except for the interval between ‘end-of-day’ and ‘start-of-day’ processes, whose timings would be duly broadcasted through the RTGS system.
   ii) RTGS shall continue to be governed by the RTGS System Regulations, 2013, as amended from time to time. The revised Regulations are available on RBI’s website at: https://www.rbi.org.in/Scripts/Bs_viewRTGS.aspx.
   iii) Intra-Day Liquidity (IDL) facility shall be made available to facilitate smooth operations. The Intra-Day Liquidity (IDL) availed, if any, shall be reversed before the ‘end-of-day’ process begins.
3. Members are advised to put in place necessary infrastructure to provide RTGS round the clock to their customers. RTGS transactions undertaken after normal banking hours are expected to be automated using ‘Straight Through Processing (STP)’ modes.
4. Members are further advised to disseminate information on the extended availability of RTGS to all their customers.
5. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

(P Vasudevan)
Chief General Manager

Deployment of Bank Credit by Major Sectors

(₹ Crore)

Sr. No.	Sector	Outstanding as on						
		Jun 21, 2019	Jul 19, 2019	Aug 30, 2019	Sep 27, 2019	Oct 25, 2019	Nov 22, 2019	Dec 20, 2019
	Non-food Credit (1 to 4)	8476377	8495759	8532367	8620329	8663557	8673908	8737346
1	Agriculture & Allied Activities	1125788	1108988	1113027	1127794	1134705	1134004	1139092
2	Industry (Micro & Small, Medium and Large)	2812032	2798360	2765215	2774883	2786751	2772248	2794372
2.1	Micro & Small	366185	361608	358885	361328	359018	362758	365398
2.2	Medium	105170	105214	104436	104989	105558	102601	107166
2.3	Large	2340677	2331538	2301894	2308566	2322175	2306889	2321808
3	Services	2284715	2312871	2350198	2361866	2352418	2362956	2370600
3.1	Transport Operators	141711	140948	141245	142605	139103	139754	140438
3.2	Computer Software	18312	18213	18761	18771	19063	19052	18597
3.3	Tourism, Hotels & Restaurants	39603	39899	40221	40419	43399	43468	44745
3.4	Shipping	6080	5879	5955	5963	5893	6704	6548
3.5	Professional Services	168679	166562	169097	171733	169783	170660	172553
3.6	Trade	511576	513452	504278	508039	505037	501677	513987
3.6.1	Wholesale Trade (other than food procurement)	230097	229764	221053	217325	218722	217567	228558
3.6.2	Retail Trade	281479	283688	283225	290714	286315	284109	285429
3.7	Commercial Real Estate	205495	208627	216388	218088	220300	220685	219585
3.8	Non-Banking Financial Companies (NBFCs)	635098	636733	680360	713510	713344	730907	728561
3.9	Other Services	558161	582558	573894	542738	536499	530048	525586
4	Personal Loans	2253843	2275540	2303930	2355785	2389684	2404701	2433282
4.1	Consumer Durables	5771	5623	5484	5445	5557	5499	5450
4.2	Housing (Including Priority Sector Housing)	1187027	1199806	1214773	1253190	1268734	1274747	1289637
4.3	Adv. against Fixed Deposits(Including FCNR(B),NRNR Dep. etc)	67105	64901	62607	64192	62902	62892	64441
4.4	Advances to Individuals against share, bonds, etc.	5368	5396	5087	5105	5056	4982	5072
4.5	Credit Card Outstanding	94890	93974	97650	99372	105026	105860	105905
4.6	Education	67641	67665	68457	68229	67238	66902	66895
4.7	Vehicle Loans	200419	201318	202662	203446	206720	207996	213601
4.8	Other Personal Loans	625622	636857	647211	656806	668451	675823	682281
Memo:								
5	Priority Sector	2751954	2716953	2721947	2759852	2766084	2694733	2787852
5.1	Agriculture & Allied Activities	1118660	1102240	1105805	1118871	1125522	1125474	1133239
5.2	Micro & Small Enterprises	1062806	1047483	1048364	1056600	1053403	1057378	1061953
5.2(a)	Manufacturing	366185	361608	358884	361328	359018	362758	365398
5.2(b)	Services	696621	685875	689479	695271	694385	694620	696555
5.3	Housing	440022	441976	444823	454566	455536	454000	456989
5.4	Micro-Credit	28690	31593	31376	32077	32525	33526	35104
5.5	Education Loans	54237	53659	53983	53921	53736	53410	53215
5.6	State-Sponsored Orgs. for SC/ST	383	385	402	410	397	387	395
5.7	Weaker Sections	701478	678242	682231	696626	704413	698449	711799
5.8	Export Credit	14279	14155	13139	14454	14040	13219	15152

(Continued

Deployment of Bank Credit by Major Sectors (Concld.)

(₹ Crore)

Sr. No.	Sector	Outstanding as on					
		Jan 31, 2020	Feb 28, 2020	Mar 27, 2020	Apr 24, 2020	May 22, 2020	Jun 19, 2020
	Non-food Credit (1 to 4)	8900136	8914711	9211544	9100648	9029747	9047014
1	Agriculture & Allied Activities	1153386	1155990	1157796	1151330	1146207	1152934
2	Industry (Micro & Small, Medium and Large)	2817525	2792812	2905151	2884372	2861607	2875210
2.1	Micro & Small	373050	371333	381825	358340	352949	352696
2.2	Medium	106813	107502	105598	99458	99847	95670
2.3	Large	2337662	2313977	2417728	2426574	2408811	2426844
3	Services	2431975	2433858	2594945	2574155	2543070	2528489
3.1	Transport Operators	141293	142127	144466	148733	149290	146715
3.2	Computer Software	18775	19205	20051	20157	19812	20592
3.3	Tourism, Hotels & Restaurants	45394	45184	45977	45862	45777	46253
3.4	Shipping	6682	6527	6557	6491	5249	5155
3.5	Professional Services	172686	172907	177085	173346	173325	173914
3.6	Trade	519547	538608	552392	545240	538619	543012
3.6.1	Wholesale Trade (other than food procurement)	237341	254833	263397	249316	252442	255206
3.6.2	Retail Trade	282206	283775	288995	295924	286177	287806
3.7	Commercial Real Estate	227266	228826	229770	229926	227847	229263
3.8	Non-Banking Financial Companies (NBFCs)	737198	703667	807383	812388	804287	798514
3.9	Other Services	563134	576807	611264	592012	578864	565071
4	Personal Loans	2497250	2532051	2553652	2490791	2478863	2490381
4.1	Consumer Durables	6453	6495	9298	8908	8703	8847
4.2	Housing (Including Priority Sector Housing)	1316481	1328991	1338964	1330709	1329147	1335902
4.3	Adv. against Fixed Deposits(Including FCNR(B), NRNR Dep. etc)	67240	75469	79496	67905	63594	61457
4.4	Advances to Individuals against share, bonds, etc.	5185	5183	5334	4818	4502	5803
4.5	Credit Card Outstanding	110864	110946	108094	96978	92887	97586
4.6	Education	67038	66563	65745	65246	65205	65017
4.7	Vehicle Loans	220240	221129	220609	216968	214548	214602
4.8	Other Personal Loans	703749	717275	726112	699259	700277	701167
Memo:							
5	Priority Sector	2772197	2690428	2897461	2811116	2795546	2803776
5.1	Agriculture & Allied Activities	1142576	1145063	1146624	1145120	1138386	1144499
5.2	Micro & Small Enterprises	1100615	1095182	1149394	1100834	1077748	1132391
5.2(a)	Manufacturing	373050	371333	381826	358340	352949	352696
5.2(b)	Services	727566	723849	767568	742494	724799	779695
5.3	Housing	461089	460496	449945	459911	463004	463729
5.4	Micro-Credit	36176	36477	38237	35154	34818	35826
5.5	Education Loans	53101	52692	51906	52003	52088	52035
5.6	State-Sponsored Orgs. for SC/ST	413	115	388	395	399	399
5.7	Weaker Sections	715057	701304	731409	743790	739806	740428
5.8	Export Credit	13503	14325	16114	16690	17381	16719

Source : *Reserve Bank of India.*

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