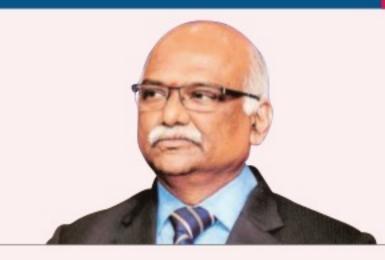
# Arkets

WEDNESDAY, JANUARY 23, 2019



#### AADHAAR IMPACT

R Gandhi, former deputy governor, RBI

ing the SC order in the Aadhaar case, there is great uncertainty, confusion and reluctance on the part of banks to use biometrics as basis for identifying individuals. Several fintech con have to redraft business models because of this.

#### **Money Matters**

Jan 22

0.229%

0.052%

#### **G-SEC** 0.475% The benchmark yield fell due to buying support 7.533

LAF **52.18%** Bank borrowing under RBI's short-term window fell by ₹9,901 crore

Jan 11

Jan 11 Jan 22 ₹/\$

70.50 71.44 Inverted scale Jan 22 Jan 11

**£/**\$ The euro fell against the US dollar

The rupee fell due to

global cues

1.1469 1.1359 Jan 11 Jan 22

# Quick

#### ICICI Pru Life Q3 net dips 34% to ₹297 cr

ICICI Prudential Life registered a 34% decline in its standalone net profit to ₹296.77 crore in the third quarter ended December 31, 2018. The company had reported ₹452.1 crore profit in the same period a year ago, the company said in a regulatory filing. The net premium income of the company increased by around 15% to ₹7,482.95 crore from ₹6,795.13 crore in the year-ago period. The board has approved an interim dividend of ₹1.60 per equity share for the first half of the current fiscal 2019. The company's market share stood at 10.8% among life insurance companies on a retail weighted received premium basis for the nine months ended December 2018. The company said in a statement that total premium witnessed a growth of 13.2% to ₹20,766 crore as against ₹18,340 crore during the nine-month period of the previous financial year.

#### IOB raises ₹217 crore through ESPS

INDIAN OVERSEAS Bank (IOB) has mobilised ₹217 crore through its **Employee Stock Purchase Scheme** (ESPS). The ESPS issue, which was launched on December 31, was closed on January 21 as scheduled. The employees were offered up to 18.24 crore equity shares at a discounted price of ₹11.90. According to an IOB statement, the overwhelming response of the employees resulted in oversubscription. Around 24,550 employees participated in the scheme. IOB has set a new record among public sector banks as 92% of its employees have subscribed to over 100% of its

#### New ED takes charge at **Punjab National Bank**

PUNJAB NATIONAL Bank (PNB) on Tuesday said Agyey Kumar Azad has taken charge as executive director of the bank. Prior to joining PNB, he was general manager in Bank of India. Azad, with 33 years of experience, has worked in various departments, including overseas operations. With his taking charge, the bank has now two EDs while one vacancy is still left. Last week, the government sacked

#### IL&FS EXPOSURE

# Icra puts ratings of 6 MF schemes under 'watch'

Two top fund houses have marked down some of their debt schemes by 20-25% after another ratings agency Crisil downgraded two IL&FS SPV bonds

**FE BUREAU** Mumbai, January 22

RATINGS AGENCY ICRA on Tuesday placed the rating of six mutual fund schemes under watch with negative implications owing to their exposure to three special purpose vehicles (SPV) of IL&FS.

Moreover, Crisil on Tuesday downgraded the ratings on the non-convertible debentures (NCDs) of Jharkhand Road Projects Implementation Company (JRPICL) by three notches to D from BB. On Friday, Crisil had downgraded NCDs of JRPICL to BB from AA. The rating continues to be on watch with negative implications. The downgrades have prompted two of the country's top fund houses to mark down some of their debt schemes by 20-25%.

The net asset value (NAV) of HDFC Short Term Debt Fund and HDFC Banking and PSU Debt Fund fell 0.14% on Monday, data from Value Research show. As on December 31,2018, the exposure of HDFC Short Term Debt Fund and HDFC Banking and PSU Debt Fund to HREL stood at 0.55% and 0.29% of asset under management of the schemes (AUMs), respectively.

The schemes, which Icra has placed on watch with negative implications, include HDFC Short Term Debt Fund, HDFC Banking and PSU Debt Fund, UTI Banking and PSU Debt Fund, UTI Bond Fund, UTI Dynamic Bond Fund and Aditya Birla Sun Life Short Term Opportunities Fund.

Icra noted that the rating action takes into account the deterioration in the credit quality of the underlying investments of

these schemes driven by their exposure to SPV of IL&FS. The debt schemes mentioned have exposures to IL&FS SPV, namely, Hazaribagh Ranchi Expressway or Jharkhand Road Projects Implementation Company or Jorabat Shillong Expressway.

Data from Value Research show that assets of HDFC Short Term Debt Fund, as at the end of December, 2018, stood at ₹8,985 crore. The assets of HDFC Banking and PSU Debt Fund were ₹2,803 crore. Senior officials in the industry say HDFC MF has marked down the value of these securities by 25%.

"Even though the papers HDFC MF hold, have not yet been downgraded, they are similar to JRPICL and so the fund has marked down the securities by 25%. The funds due to HDFC MF are lying in an escrow account and a meeting of creditors has been scheduled for January 28," said a top official from the leading fund house.

Icra stated the default risks by various SPVs of IL&FS have increased given the recent communication by the trustees future repayments might be stopped citing their interpretation of an order given by National Company Law Appellate Tribunal (NCLAT) on October 15, 2018.

"Further, in January 2019, two SPVs of

IL&FS demanded a refund of the debt payment executed by them post October 15, 2018 from their trustees. Despite a ringfenced structure and adequate cash flows to service the debt obligations, the SPVs have asked the trustees to stop debiting the SPVs escrow account towards its future obligations," Icra noted.

The exposure of UTI Banking and PSU Debt Fund, UTI Bond Fund and UTI Dynamic Bond Fund to JSEL stood at 6.87%, 5.98% and 6.25% of asset under management of the schemes, respectively, as on December 31, 2018. Assets of UTI Banking and PSU Debt Fund and UTI Bond Fund as on December, 2018 stood at ₹637 crore and ₹802, respectively, show the data from Value Research. While assets of UTI Dynamic Bond Fund stood at ₹1,012 crore as on December 2018.

As on December 31,2018, the exposure of Aditya Birla Sun Life Short Term Opportunities Fund to JRPICL stood at 1.15% of asset under management of the scheme (AUM), Icra said. The assets of the fund as on December stood at ₹3,925 crore and NAV of scheme fell by 0.21% on Monday.

A Balasubramanian, CEO at Aditya Birla Sun Life AMC, said the securities had been marked down by 20% in the scheme.

#### Rupee tumbles 16p to 71.44 on strong dollar PRESS TRUST OF INDIA ₹/\$ (Inverted scale)

Mumbai, January 22

THE RUPEE SKIDDED by 16 paise on Tuesday – its third straight session of loss – to close at 71.44 against the US dollar amid strengthening of the greenback and heavy selling in domestic equities.

Concerns over slowing global growth and foreign capital outflows weighed on the local unit, forex traders said.

At the Interbank Foreign Exchange (forex) market, the rupee opened higher at 71.22 but came under selling pressure. It finally finished at 71.44 per dollar, down by 16 paise against its previous close. The rupee has now lost 41 paise in three days.

"Rupee continued to trend down for the third day on global growth concerns. IMF predicted global economy will grow at the weakest pace in three years in 2019 and warned fresh trade tensions would spell further trouble. The benchmark 10-year bond yield held steady around yesterday's (Monday) level of 7.30%. So far this month, the rupee has declined 1.87%, while overseas funds sold \$554.5 million in equity and \$193.10 million in debt segments, said VK Sharma, head, PCG and Capital Markets Strategy, HDFC Securities.

Worries about slower global growth, little progress in US-China trade talks and US federal government shutdown triggered safe heaven buying and helped the green-

69.00 69.80 70.60 71.40 72.20 Jan 22, 2019 Dec 14, 2018

back and Japanese yen trade higher. The dollarindex headed higher for the sixth day, its longest streak after October 2018, he

Brent crude, the global oil benchmark, was trading lower at \$61.51 per barrel, down by 1.96%. The domestic equity market took a breather on Tuesday after a fiveday rising spree. The 30-share BSE Sensex dropped 134.32 points to end at 36,444.64, while the broader NSE Nifty finished 39.10 points lower at 10,922.75.

Meanwhile, foreign funds pulled out Rs 299.79 crore from the capital markets on a net basis on Monday, while domestic institutional investors bought shares worth ₹520.80 crore, provisional data showed.

#### RBI to conduct ₹10,000 cr OMO tomorrow

PRESS TRUST OF INDIA Mumbai, January 22

**CONTINUING WITH ITS** commitment to provide adequate liquidity, the Reserve Bank of India on Tuesday announced a ₹10,000-crore bond buyback on Thursday.

The central bank had earlier committed to purchase government securities under its open market operations for an aggregate ₹50,000 crore in January and has so far done ₹30,000 crore.

The latest OMO, to be conducted on Thursday, has been decided "based on an assessment of prevailing liquidity conditions and also of the durable liquidity needs going forward," the RBI said. The central bank will buyback five secu-

rities maturing between June 2019 and December 2033 through the purchase, it said and also specified details of each security. The eligible participants should submit their offers in electronic format on the RBI's core banking solution (E-Kuber) system on January 24. The result of the auction will be announced the same day and payment to successful participants will be made on the following day. It can be noted that ever since August, the system is passing through a liquidity deficit which is being bridged by the central bank using various tools with OMOs being a primary instrument deployed.

### HDFC Life Q3 profit rises 18% to ₹246 crore

PRESS TRUST OF INDIA New Delhi, January 22

**HDFC LIFE ON** Tuesday reported 18.3% growth in profit at ₹245.63 crore for the third quarter ended December 31. The private sector insurer's profit stood at ₹207.32 crore in the same quarter of 2017, HDFC Life said in a statement. Total income of the company declined to ₹9,303.09 crore from ₹9,684.46 crore in October-December 2017.

The board appointed Niraj Ashwin Shah as chief financial officer of the company with effect from March 1, 2019.

During the April-December period, the company maintained leadership position in terms of total new business received premium with a market share of 21% in the private sector compared to 18.4% in the same period of 2017-18. Total number of lives insured grew 71% to 3.48 crore during the 9-month period of 2018-19. Overall new business sum assured also saw an increase of 27% to ₹4,06,943 crore during the same period.

Banks confused

post Aadhaar

PRESS TRUST OF INDIA

Hyderabad, January 22

tifying individuals.

verdict: Gandhi

**FORMER RBI DEPUTY** governor R Gandhi

on Tuesday said following the Supreme

Court order in the Aadhaar case, there is

great uncertainty, confusion and reluctance

on the part of banks and financial institu-

tions to use biometrics as the basis for iden-

redraft their business models because of

this," he said. The cost of operations of those

"Several fintech companies have to

on biometric use

#### **Reliance Nippon** Life Asset Q3 net drops 17%

**RELIANCE NIPPON** Life Asset Management (RNAM), asset manager of Reliance MF, on Tuesday reported 17% decline in consolidated net profit at ₹109.52 crore in the December quarter. In comparison, the company logged a net profit of ₹132.01 crore in October-December 2017, RNAM said in a filing. The company's revenue from operations declined to ₹349.85 crore in the December quarter 2018, from ₹398.98 crore in the year-ago period. RNAM's assets under management rose 7% to over ₹4.14 lakh crore as on December 31 across MFs, pension funds, managed accounts and offshore funds.

#### Robust GDP to help insurers post strong growth: Moody's

PRESS TRUST OF INDIA New Delhi, January 22

**MOODY'S INVESTORS SERVICE** on Tuesday said India's insurance and reinsurance sectors will grow strongly driven by economic growth and evolving regulatory regime. It said robust GDP expansion, coupled with current low insurance penetration, should support double digit growth for

During fiscal 2018, total gross premiums for the non-life and life insurance sectors grew 11.5% to ₹6.1 lakh crore, bringing the 5-year compound annual growth rate to 11%.

regulatory regime continue to support growth for its insurance and reinsurance sectors," Moody's said in a report.

"The Irdai is proactively introducing regulations that will support insurers' balance sheets and improve their access to capital, a credit positive," Moody's assistant VP and analyst Mohammed

the non-life sector over the next 3-4 years.

"India's strong economy and evolving

Londe said.

# ANALYST CORNER

### DCB Bank: Maintain 'Hold' with a TP of ₹211

**EDELWEISS** 

DCB BANK'S (DCB) Q3FY19 performance was marked by improvement across core parameters; however, sustainability is crucial. Key highlights: (a) higher slippages

at 2.1% (driven by ₹120 mn fraud in agri segment) led to GNPLs of 1.92% (1.84% in Q3FY19); (b) though loan book grew 23% y-o-y, sustained NIM pressure kept NII growth below trend at 17% (25-30% run-rate earlier); and (c) better-than-expected improvement in costratios with 366 bps q-o-q dip in cost-income. However, it still remains high (55%) and sustained improvement is key.

While DCB's performance has been steady, we believe NIM pressure along with high cost ratios will translate in to sub-par RoE (14-15% by FY21E), implying limited upside. Maintain 'Hold' with a revised target price of ₹211 (₹207 earlier) as we roll forward to FY21E. We believe, sustained pressure on yields along with lower CASA (at 24%) will continue to reflect in sustained NIM pressure. Thus, NIM is likely to be muted and productivity improvement is critical for profitability

traction. Opex growth moderated - up <6% y-o-y (from >20% earlier) indicating that operating leverage benefits have started to flow. Despite improvement, cost ratios

remain high and a sustained improvement in operating efficiency is vital. The cost-income will be a key determinant for any improvement in returns ratios, in our view. Slippages rose to ₹1.14 bn (2.1%), largely driven by higher agriculture (fraud in commodity account of ₹120 m) and mortgage NPLs. Meanwhile, given higher proportion of LAP & MSME and concerns on these segments keep up guarded.

Meanwhile, productivity is in focus and we expect operating leverage to play out. Factoring 40% plus EPS CAGR over FY18-21 (albeit on lower base) with operating leverage benefits, we value DCB at 2x FY21E ABV for RoE potential of 14-15%, yielding TP of ₹211. Slippages during the quarter came in a tad higher at 2.1%, largely following a fraud of ₹120 mn pertaining to a commodity funding account in Gujarat (other bank has also apparently taken some impact on this account).

### Kajaria Cements: Maintain 'Buy' with a TP of ₹625

with: (a) 16% y-o-y volume growth (I-Sec: 13%) largely aided by market share gains, (b) 90bps improvement in margins q-o-q at 15.9% (I-Sec: 15.8%) led by operating leverage and turnaround of its subsidiaries (tiles and bathware), and (c) strict working capital management (at 62 days up just 2 days q-o-q). KJC reported consolidated PAT at ₹648 m (I-Sec: ₹623 m), up 19% y-o-y/29% q-o-q aided by sound operating

maintain revenue and earnings estimates and expect KJC to report

19.2%, respectively, over FY18-FY21 largely driven by (a) sustained double digit volume growth over next two years aided by its growing competitiveness over unorganised as well as organised players; (b) expected energy savings led by recent sharp fall in crude prices which should drive its Ebitda margin higher to 17.5%/18% by FY20/FY21, respectively.

RoCEs are estimated to inch up to 30% by FY21 led by its stringent working capital management, leaner capex and increasing FCF. We maintain 'Buy' on the stock with a target price of ₹625, valuing it at 30xFY20E earnings.

KJC posted 14.7% y-o-y revenue growth at ₹7.59 bn (I-Sec: ₹7.5 bn) aided by 16% volume growth in tiles and 40.6% y-o-y growth in allied products. The growth was largely attributed to market share gains with industry expected to have grown flattish or at low single-digit during the quarter.

# revenue and PAT CAGRs of 13% and **ICICI SECURITIES**

KJC REPORTED impressive Q3 numbers - strong volume growth and firm margins q-o-q – despite a tough economic environment. The numbers were in-line with our estimates but demonstrated a significant beat over consensus.

KJC reported a clinical performance performance and lower interest cost.

Given in-line Q3 performance, we

two executive directors.

fintech companies have tremendously ESPS, it added. increased consequently, affecting their profitability and also threatening their continued existence, he said. The banking and financial sector is experiencing cyber risks more because of the increased use of rapidly evolving complex technologies, wide use of third-party vendors and increased use of mobile technologies by customers, among others, Gandhi said. He was speaking during the Fifth IEEE International Conference on Identity, Security and Behaviour Analysis at the IDRBT.

> Banks and financial institutions are now a worried lot because of the proposed ban on cross-border transfer of sensitive data, which is proposed to include even passwords and financial data, he said.

## IDRBT proposes road map for blockchain technology

working with

government, banks

and industry for

building a

blockchain that

can serve as a

**FE BUREAU** Hyderabad, January 22

**THE INSTITUTE FOR** Development and Research in Banking Technology (IDRBT) has come out with a blueprint of blockchain technology for the banking sector. The institute has been working with government, banks and industry for building a blockchain that can serve as a common platform to launch varied applications.

The blueprint has suggested broad roadmap on adoption of the new technology in various business and organisational functions along with common protocols to ensure interoperability among different entities as there are no regulatory guidelines in place for adoption of blockchain in banks and financial institutions. Currently, interoperability between different blockchain platforms is not well established. Common infrastruc-

ture and technology is a far superior approach to build a true ecosystem around blockchain technology, in the absence of which the stakeholders like corporates have to hook to different blockchain networks. Releasing a white paper on blockchain

sector is experiencing cyber risks more because of the increased use of rapidly evolving, sophisticated, and complex technologies, wide use of third-party vendors, increased use of mobile technologies by customers, including the rapid growth of the Internet of Things (IoT) and the heightened cross-border information security threats. Further, he said that data security and data privacy have become a vital point of dis-

cussion. There are two facets of IDRBT has been

data privacy – one is, data privacy in a commercial context and the other is in a democratic and human rights context. The general trend is that data privacy is a fundamental right of the individuals and any unconsented use by entities would result in heavy penalties.

for the problem of storage and access of biometric data. Technology has earlier found a solution for the security of data

structure (PKI) by splitting the key into its public and private parts. He suggested for a split in biometric data into two parts, one the public part to be with the government, and the other, the private part remaining with the individual – the biometric data with the government will be incomplete until the private part is supplied by the individual.

technology, RG and hi, former deputy governor, RBI, said that the banking and financial

common platform Gandhi sought a solution to launch varied applications through the concept of Public Key Infra-