Three banks move out of PCA

Allahabad Bank, Corporation Bank , Dhanlaxmi Bank will now be able to shore up their lending

ABHIJIT LELE
Mumbai, 26 February

The Reserve Bank of India (RBI) on Tuesday removed three commercial banks — Allahabad Bank, Corporation Bank and Dhanlaxmi Bank — from the prompt corrective action (PCA) framework. The move will allow them to carry on with normal business, especially lending.

Earlier this month, the RBI had taken out three public sector banks — Bank of India , Bank of Maharashtra, and Oriental Bank of Commerce — out of the framework. IDBI Bank, Central Bank of India, Dena Bank, Indian Overseas Bank, United Bank of India, and UCO Bank are still under PCA.

The RBI in a statement said the Board for Financial Supervision (BFS), in its meeting held on Tuesday, reviewed the performance of the banks under PCA. The BFS noted the government had infused fresh capital on February 21 into various banks, including some of those under the PCA framework.

Two state-owned banks — Allahabad Bank and Corporation Bank — had received ₹6,896 crore and ₹9,086 crore, respectively, from the government. The move shored up their capital funds and also increased their loan loss provision to ensure that the PCA parameters were complied with.

These two banks have also made the necessary disclosures to the stock exchange that post infusion of capital, their capital adequacy ratios (CARs), common equity Tier 1, net non-performing assets and leverage ratios are no longer in breach of the PCA thresholds.

The banks also apprised the RBI about the structural and systemic improvements put in place to maintain these numbers. The BFS, at its meeting held on January 31, had adopted the principles related to the PCA framework. Keeping these principles in focus, the BFS on Tuesday decided to take out Allahabad Bank and Corporation Bank from the purview of the PCA Framework, subject to certain conditions and continuous monitoring.

Small private lender Dhanlaxmi Bank is also out of the PCA framework, subject to certain conditions and continuous monitoring, the RBI said.

OFF THE HOOK
Figures for 9MFY19 (Dec 2018) — Value in ₹crore

	Corporation Bank	Allahabad Bank	Dhanlaxmi Bank
NII 9MFY19	4,325	4,253	260
% change YoY	22.3	10.6	-0.1
Net Profit	249	-4,500	-16
% change YoY	LTP	loss	loss
Gross NPA	21,921	28,219	508
% change YoY	0.5	21.3	13.9
Net NPA	13,521	10,865	174
% change YoY	-2.4	-20.4	-31.5
Gross NPA(%)	17.4	17.8	8.1
Change (bps) YoY	144.0	343.0	115.0
Net NPA (%)	11.5	7.7	2.9
Change (bps) YoY	74.0	-127.0	-115.0

Compiled by BS Research Bureau — Source: Capitaline

Bank of Baroda to sell NPAs worth ₹6,000 cr

SURAJEET DAS GUPTA
New Delhi, 26 February

State-owned Bank of Baroda (BoB) has floated an expression (EoI) of interest to sell its non performing assets worth over ₹5,928 crore, including its ₹1,838 crore loan to cash-strapped Reliance Communications.

The bank has identified loans to 49 companies, including two power firms run by GVK (totalling ₹357 crore), GMR Chhattisgarh Energy Ltd (₹218 crore), and Monnet Power Company (₹199 crore), for sale.

According to the offer, interested asset reconstruction companies (ARCs), banks, non-banking financial companies (NBFCs), and financial investors were allowed to conduct due diligence of these assets from February 25. Interested buyers will have to submit indicative prices at which they want to buy these assets.

The bank has put loans to 49 firms, including ₹1,838 crore to RCom, on the block

BoB's largest asset for sale in this list is the loan to RCom. The bank's decision to put its assets in RCom on the block comes after the board of RCom early in February decided to opt for debt resolution through the National Company Law Tribunal (NCLT).

Observers, however, point out that sale of this loan could be a challenge as an interested buyer would ask for a substantial discount, especially as the company's bid to sell its towers, fibre and spectrum assets has failed.

RCom's international bonds worth $300 million have been rated D (standing for default) and are priced at a discount of over 75 per cent of the par value. Many observers say this could be the benchmark for potential bidders for the BoB loan.

Fiscal deficit already 21.5% over yearly target

ISHAN BAKSHI
New Delhi, 26 February

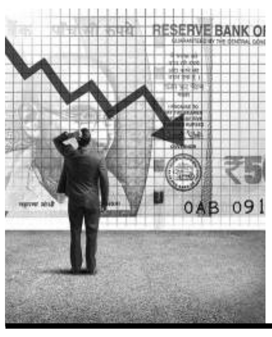
With indirect tax collections remaining sluggish in the first 10 months of the current financial year, the Centre's fiscal deficit at the end of January stood at ₹7.7 trillion, or 21.5 per cent more than the revised target of ₹6.34 trillion, showed the data released by the Controller General of Accounts (CGA) on Tuesday.

To contain the deficit, the axe has fallen on capital expenditure, which contracted by 35 per cent in January alone. Capital expenditure has been contracting since September 2018.

The government had earlier pegged the deficit at ₹6.24 trillion for 2018-19 or 3.3 per cent of GDP. In the interim Budget for 2019-20, the deficit was revised upwards to ₹6.34 trillion or 3.4 per cent of GDP.

At the aggregate level, the Centre's gross taxes revenues rose to ₹15.62 trillion over the April 2018-January 2019 period, up 7.3 per cent from ₹14.55 trillion over the same period last year.

But while direct tax collections continued to grow at a healthy pace, indirect tax collections remained poor. Direct tax collections grew at a robust 15.7 per cent, with corporation tax and income tax collections increasing at 16.7 per cent and 14.3 per cent, respectively.



WORSE THAN EXPECTED

₹ crore	Collection*	Revised target**
Tax revenue (Net)	1,019,288	1,484,406
Non-tax revenue	162,126	245,276
Non-debt capital receipts	49,323	93,155
Total expenditure	2,001,582	2,457,235
Fiscal deficit	770,845	634,398

* April 2018 to January 2019, **FY19 — Source: CGA data

But indirect taxes were a reason for worry. The CGA data showed that the central goods and services tax (CGST) collections stood at ₹3.75 trillion at the end of January.

In comparison, the recent Budget had revised the CGST collection target to ₹5.03 trillion in 2018-19, which was ₹1 trillion lower than the earlier budget target of ₹6.03 trillion.

Capital expenditure contracts 13% in April-January period. The data also shows that till January, the government achieved only ₹35,606 crore or 44.5 per cent of its disinvestment target of ₹80,000 crore

Non-tax revenues stood at ₹1.62 trillion or 66 per cent of the revised Budget target of ₹2.45 trillion, compared to 52.7 per cent over the same period in the previous financial year.

On the disinvestment front, the data showed that till January, the government had achieved only ₹35,606 crore or 44.5 per cent of its disinvestment target of ₹80,000 crore. But, the government is confident of meeting the target by the end of the current financial year.

Devendra Pant, India Ratings chief economist, said the government has already mopped ₹56,068 crore so far. Further, the PFC-REC merger could help it achieve the revised target

He said based on the past trends in revenue collections, it was difficult to understand how the government would meet its revised revenue collection target, though revenue from GST compensation cess could help to some extent.

"Non-tax revenue has grown strongly and will benefit from the RBI's interim dividend," he added. The RBI Board has approved of ₹28,000 crore interim dividend to the Centre.

On the other hand, total expenditure has grown by 8.7 per cent in the first 10 months of the current financial year. The pressure to achieve the revised fiscal deficit target showed up in the capital expenditure numbers, which contracted by 13 per cent till January over the same period last year.

The CGA data also showed that the Centre has already spent 98 per cent of its full year's budget on major subsidies, with expenditure on both food and petroleum subsidy touching 99 per cent of the revised budget estimates.

12 firms win 10th round of city gas distribution bid

SHINE JACOB
New Delhi, February 26

Twelve companies — including Indian Oil Corporation (IOC), Hindustan Petroleum Corporation (HPCL), Gujarat Gas and Gail Gas —have got 50 geographical areas (GAs) that were on offer under the 10th round of city gas distribution (CGD) bidding. The round, launched on November 8, is likely to see investments to the tune of ₹50,000 crore.

Indian Oil, HPCL and a little known consortium of LNG Marketing and Atlantic, Gulf and Pacific Company of Manila have won the maximum number of nine areas each during the round, followed by Gujarat Gas (six) and Gail Gas (four). By February 5, the closing bid date, at least 225 bids were received for the 50 geographical areas, which included 124 districts (112 complete and 12 partial) across 14 states.

Other companies that were successful during the 10th round included Indraprastha Gas (three), Torrent Gas (three), Adani Gas (two) and Bharat Gas (two). The Petroleum and Natural Gas Regulatory Board (PNGRB) in its 88th board meeting held on February 26 cleared issuance of Letters of Intent (LoIs) to the 12 entities, said a government statement.

In these 50 areas, 2,02,92,760 domestic PNG (piped natural gas) connections and 3,578 CNG (compressed natural gas) stations for the transport sector will be installed. This will be done in a period of eight years up to March 31, 2029.

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Next goal: 24x7 power supply but not for farms

JYOTI MUKUL
New Delhi, 26 February

Minister of State for Power R K Singh on Tuesday said the country was on path to achieving 100 per cent household electrification by March 31 and the next goal would be to ensure 24x7 power supply to all households.

The government, however, has kept the agriculture sector off the target of round-the-clock power supply to avoid water wastage.

Addressing the inaugural session of a conference of state power and renewable energy ministers in Gurugram, Singh said daylong power supply could be achieved by strengthening the distribution network, improving discoms' health and other measures.