

QUICKLY

MR Kumar appointed LIC Chairman

New Delhi, March 14
The Centre has appointed MR Kumar as Chairman of Life Insurance Corporation (LIC). Kumar will hold the post of Chairman for five years, according to a personnel ministry order. Prior to this elevation, Kumar was Zonal Manager (in charge) of North Zone at Delhi. The Centre has also appointed Vipin Anand and TC Suseel Kumar as Managing Directors of LIC for five years. While Suseel Kumar was Zonal Manager (in-charge) for South Central Zone, Anand was the Zonal Manager of Western Zone. OUR BUREAU

RBI chief to meet heads of SFBs today

New Delhi, March 14
Reserve Bank of India (RBI) Governor Shaktikanta Das will meet heads of small finance banks on Friday to discuss various issues related to them. There are 10 small finance banks operating in the country. PTI

Rupee rises 20 paise versus dollar

Mumbai, March 14
The rupee appreciated by 20 paise to close at a seven-month high of 69.34 against the US dollar on Thursday, extending gains for a fourth session in a row, on robust foreign inflows ahead of general elections. At the interbank forex market, the rupee opened weak at 69.75 a dollar over its previous closing price of 69.54. The local unit moved in a range of 69.78 to 69.26 before finally ending at 69.34, showing a gain of 20 paise over its last close. PTI

LIC likely to look at timeline of 3-5 years for paring stake in IDBI Bank

Insurer to submit a proposal to IRDAI, which will then take the final call

SURABHI

Mumbai, March 14
Life Insurance Corporation of India is likely to retain its majority stake in state-run IDBI Bank for three to five years before lowering it.

"A time horizon of three to five years will ensure adequate time for IDBI Bank to be firmly on not only the recovery path but also to turn into a profitable organisation. Discussions on the exact time frame are still on," said a person familiar with the development.

State-owned LIC acquired a 51 per cent stake in debt-ridden IDBI Bank, a move that was widely perceived as part of the government's effort to effect a turnaround in the lender's finances.

Sources said LIC is still in discussions on the exact timeframe before it will be able to submit a final

proposal to the regulator, Insurance Regulatory and Development Authority of India (IRDAI). The Finance Ministry's view is also likely to be sought.

Change in name

But an indication that the acquisition will be for a medium- to long-term period comes from the fact that the lender has also proposed a name change to either LIC IDBI Bank Ltd or LIC Bank Ltd. This will be subject to approval from the Reserve Bank of India.

However, the majority stake acquisition is against the norms stipulated by the IRDAI that insurers are allowed to hold only up to 15 per cent stake in any listed entity. LIC had received a special one-off exemption from the regulator.

IRDAI Chairman Subhash



Saving grace LIC's acquisition of a 51 per cent stake in IDBI Bank was widely perceived as the government's effort to effect a turnaround in the debt-ridden lender's finances

Chandra Khuntia said he has sought a timeline from the LIC on its plans to bring down its holding in the public sector bank.

"We will decide on the timeline (for stake reduction by LIC in IDBI

Bank). We are not leaving it to them. I have asked them (LIC) to give a proposal, and after that we will take a decision," he said earlier this month.

For the quarter ended December

31, 2018, IDBI Bank reported a net loss of ₹4,185.48 crore against ₹1,524.31 crore a year ago.

On Thursday, shares of IDBI Bank fell 0.23 per cent to close at ₹43.05 a piece on the BSE.

RBI categorises IDBI Bank as private lender

OUR BUREAU

Mumbai, March 14
The RBI, on Thursday, said that IDBI Bank has been categorised as a private sector bank for regulatory purposes with effect from January 21, 2019. This follows Life Insurance Corporation of India (LIC) acquiring 51 per cent of the total paid-up equity share capital of the bank.

In April 2005, IDBI Bank was categorised under a new sub-group, 'other public sector banks,' by the RBI.

The 'other public sector banks' categorisation, according to the RBI's letter to IDBI Chairman on April 15, 2005, was "in view of the assurance to the Parliament given on December 8, 2004, by the Finance Minister during the discussion on the Repeal Bill, 2003, that the government holding in IDBI Ltd would always be above 51 per cent." Meanwhile, IDBI Bank said its board will meet on March 19, 2019, to consider the proposal for approval of rupee bond borrowing limit of ₹4,000 crore for FY20.

Bank of India hopeful of ₹1,800-crore write-back from Essar Steel resolution

OUR BUREAU

Mumbai, March 14
In the run-up to the close of financial year 2019, Bank of India is expecting a provisioning write-back of more than ₹1,800 crore from the resolution of Essar Steel assets and an inflow of ₹400-500 crore from the sale of non-core assets.

The public sector bank has made 100 per cent provisioning towards the Essar Steel account. Bank of India (BoI) MD and CEO Dinabandhu Mohapatra said: "Our bank's provision coverage ratio (PCR), at 76.6 per cent, is the highest in the banking industry. We are quite hopeful of a write-back of more than ₹1,800 crore from the resolution of this account."

BoI's non-core assets include STCI Finance and Star Union

Dai-ichi Life Insurance Company. The bank's non-core investments include Central Depository Services (India), and ASREC (India), an asset reconstruction company.

Jet Airways

On the debt-laden airline, Mohapatra said: "We have already made our stand clear. We are supporting the (resolution) arrangement. Let us see the response from other stakeholders. Accordingly, we will take a call." The BoI chief, who spoke on the sidelines of a FICCHBA Fintech summit, emphasised that the value of the asset must be protected. All stakeholders, including existing promoters, have to pitch in to revive the airline's fortunes. Punjab National Bank (PNB) MD and CEO Sunil



Dinabandhu Mohapatra, MD and CEO, Bank of India

Mehta said any decision to provide emergency funds to Jet Airways will be taken collectively by the lenders and not on a stand-alone basis.

His observation comes in the backdrop of reports that the bank had approved ₹2,050-crore emergency funding to

the airline. Meanwhile, Jet Airways, in a stock exchange notice, denied that it got ₹2,050 crore loan from PNB. Further, the company said it has existing credit facilities of \$300 million from PNB and no fresh credit facilities, as reported, have been provided by PNB.

Export credit dips 45% on rise in NPAs, regulatory reforms

G NAGA SRIDHAR

Hyderabad, March 14
Loans to exporters have fallen steeply in the last one year, adversely affecting labour-intensive micro, small and medium enterprises.

According to the latest sectoral credit deployment data of the RBI, export credit came down 45.5 per cent year-on-year (till January 2018-end). In FY19, there was a decline of 38.1 per cent in export credit.

Export credit, which is on the priority sector lending list of banks, fell from ₹32,100 crore in January 2018 to ₹17,500 crore in January 2019.

Interestingly, overall priority sector growth was 9.4 per cent in the same period, and shows that advances to exporters were last priority.

There have been concerns over the fall in export credit, and the Ministry of Commerce, in consultation with the RBI, intervened to drive banks to lend more for exports.

Banks blame it on the general macro economic scenario and increasing NPAs. "Last year, GST made an adverse impact and export credit quality was hit due to problems MSMEs and other exporters faced. So, we need to have some caution. There has been no improvement till date in repayments," said a top executive of a public sector bank.

Exim Bank's net loan portfolio has grown only marginally to ₹107,500 crore as on March 2018, compared to ₹102,600 crore in the previ-

ous year. "The impact of the new domestic regulatory measures got reflected in the state of the financial sector, which, in turn, was mirrored in Exim Bank's performance," the bank said in its annual report for 2017-18.

The reasons for delayed repayments from exporters are both micro and macro, according to banking and industry players. These include delay in refund of input tax credit, and problems in the General System of Preferences (GSP) in the US, which grants duty-free access to American markets for some Indian exports. The exporters of ready-made garments, gems and jewellery, and other engineering goods have been showing stress, according to bankers.

HDFC Capital, Tribeca tie-up for mid-income housing projects

RAJESH KURUP

Mumbai, March 14
HDFC Capital Advisors, the real estate-focused fund management arm of HDFC, has joined hands with real estate developer Tribeca to develop premium mid-income housing projects in Mumbai and Delhi NCR.

The companies have earmarked a corpus of ₹500 crore, which will be invested through a combination of debt and equity into residential real estate projects over the next three to five years, through an investment platform. The platform will acquire projects from existing developers through joint venture and development management structures, the companies said in a statement.

HDFC Capital has invested ₹135 crore in the platform for the first project - a one million square feet residential project in Gurugram. The project, to be developed by Tribeca, consists of 600 homes spread across a four-acre plot.

"Housing remains a crucial need in India, and the demand for housing is expected to grow substantially with increased urbanisation. HDFC's endeavour is to participate in the huge opportunity of mid-income and affordable housing in the country," said Deepak Parekh, Chairman, HDFC.

"This association will help address the demand-supply gap in affordable housing sector, and will ensure that flexible financing is provided to quality developers," he added.

Amid turnaround efforts, two India bankers quit StanChart

BLOOMBERG

March 14
Standard Chartered, which is trying to cut costs in India and boost returns from its push into consumer banking, has lost two key executives in the South Asia region.

Gopikrishnan MS, who heads foreign exchange, rates and credit for South Asia, and Shyamal Saxena, who oversees the region's retail business, have decided to leave the bank, said a Standard Chartered spokesman.

Senior-level departures at the local unit kicked off this year when Sandeep Das, who was in charge of private banking, moved to oversee the India wealth management business of rival Barclays. India is among



four countries across Asia and West Asia chosen by the lender as the focus of a new plan to reduce costs and engineer a turnaround.

The UK bank has provided for a bulk of the bad loans made to Indian corporates before Zarin Daruwala took over as CEO of the local unit in November 2015. Daruwala has been trying

to build its retail business through steps, including digitisation and faster approvals for credit cards and personal loans. India made the biggest contribution to Standard

Chartered's pre-tax profit as recently as 2010, before falling behind Hong Kong, Singapore, China and Korea as a key driver of earnings, according to an exchange filing last month. The

lender has the biggest presence among foreign banks in India, with about 100 branches, and has operated in the country for more than 160 years.

To launch digital platform for small units

OUR BUREAU

Mumbai, March 14
Standard Chartered will launch an open platform for SMEs to help them grow by providing access to financial and business solutions. The solutions will include access to business loans, invoice and supply-chain financing, logistics, commercial insurance and skilled resources.

"The platform will provide

a data-driven 'digital only' experience to SMEs, supported by AI and Machine Learning," the lender said, adding that it will facilitate its first transactions in Q2 of 2019. The initiative is being launched under SC Ventures, the innovation, investment and ventures unit of Standard Chartered. The technology company has been established in Bengaluru with Nitin Mittal

as CEO. It will partner with Standard Chartered Investments and Loans, an NBFC for financing requirements.

"This platform addresses a wide range of SME needs through a different model, which simplifies the SME growth experience while putting control at their fingertips," said Zarin Daruwala, CEO, Standard Chartered Bank, India.

FSDC meeting discusses ways to overcome rating quality challenges

OUR BUREAU

Mumbai, March 14
The sub-committee of the Financial Stability and Development Council (FSDC), on Thursday, discussed ways to address challenges pertaining to the quality of credit ratings and inter-linkages between housing finance companies (HFC) and housing developers.

The discussion took place in the backdrop of drastic downgrade in the credit ratings of IL&FS and some of its arms by credit rating agencies last year.

This had a ripple effect, impacting investments made by financial sector entities, including mutual

funds, banks, insurance companies and pension funds, in the debt instruments issued by IL&FS and its arms.

The inter-linkages between HFCs and housing developers became evident, as it came to light recently that a large HFC gave four project loans, including for slum re-development projects, and these loans were used to purchase shares of another developer.

According to a Reserve Bank of India statement, the sub-committee also deliberated on inter-linking of various regulatory databases and National Strategy for Financial Inclusion (NSFI).

Why a \$5-b currency swap is RBI's answer to nation's cash needs

ANALYSIS

BLOOMBERG

March 14
The ripple effects of the Reserve Bank of India's unusual move to use foreign exchange swaps to ease a liquidity deficit at banks ahead of national elections were felt across local currency, stocks and bond markets on Thursday.

Sovereign bonds fell as traders speculated that the measure would reduce the need for the central bank to buy debt via open-market operations, removing a key support for the market. The rupee weakened as some analysts saw the decision as a signal that the RBI is not comfortable with the currency's recent gains, while some financial stocks cheered the planned liquidity infusion.

The RBI will hold a \$5-billion foreign exchange swap auction for a three-year tenor on March 26, it said late on Wednesday. The plan comes as India is estimated to spend an unprecedented

\$7.2 billion to conduct a six-week-long vote starting next month. That, along with a seasonal shortage before the fiscal year-end, is putting a strain on banking liquidity.

Below is the impact the RBI's move has had on different asset classes, with comments from market watchers.

Bonds
The yield on India's most-traded 2028 sovereign debt rose two basis points to 7.56 per cent.



Desperate measures? The central bank will hold a \$5-b foreign exchange swap auction for a three-year tenor on March 26

from April to plug its budget gap.

Rupee

The rupee was down 0.1 per cent against the dollar on Thursday, halting a three-day gain. Even so, it remains Asia's top performer over the past month as foreign inflows into equities and bonds have surged, and the nation's military tension with Pakistan has eased. Stocks have attracted \$4.1 billion so far this year.

"The move prima facie looks to be rupee negative, amid higher rupee liquidity creation," said Madhavi Arora, an economist at Edelweiss Securities. However, if the dollars come via the offshore foreign banks' route, this particular move per se would be rupee agnostic.

The RBI had used foreign exchange swaps in 2013 to stem the losses suffered by the rupee amid an emerging market rout, asking banks to bring in dollar inflows

from non-resident Indians. "The RBI is telegraphing to the market that it is not comfortable with the current rupee strength, besides augmenting money supply to manage the fiscal year-end liquidity needs," said Anindya Banerjee, a currency analyst at Kotak Securities in Mumbai.

Forward premia

While the rupee in the spot market showed a muted reaction, one-year dollar/rupee forward premia slipped 28 basis points to 3.60 per cent. Some analysts said that the impact of the RBI move on spot will depend on how the banks source dollars to offer to the RBI at the auction.

The lower premiums will reduce hedging costs for foreign investors at a time when the central bank has opened a special route for overseas investment in debt.

Finance stocks

Some banking stocks rose along with shares of non-banking financial companies in response to the

planned fund infusion. "It addresses the liquidity tightness in the financial system and will help revive credit," said Prakash Pandey, head of research at Delhi-based Fairwealth Securities.

Dewan Housing Finance Corp rose as much as 6.9 per cent and was the top performer on the S&P BSE Finance Index earlier in the day. JM Financial climbed as much as 5.8 per cent, while Indiabulls Housing Finance advanced as much as 3.7 per cent.

Credit

The move is also likely to boost overseas interest in Indian corporate bonds by lowering hedging costs.

"A lower hedge cost should incrementally incentivise offshore flow into Indian carry assets, chiefly corporate bonds," said Suyash Choudhary, head of fixed income at IDFC Asset Management.

'Low inflation gives room to support economic growth'

BLOOMBERG

March 14
Softer inflation in India puts the Reserve Bank of India in a position to support economic growth, said the central bank's former governor Bimal Jalan.

"We are in a very good situation so far as inflation is concerned," said Jalan, 77, who headed the RBI between 1997 and 2003. "There is some uncertainty about the rate of growth. That needs to be strengthened."

New RBI Governor Shaktikanta Das surprised economists by easing monetary policy in February, and data since then suggests Asia's third-largest economy could do with some more stimulus.

Economic growth slowed to 6.6 per cent in the three months through December, as political uncertainty ahead of a general election compounded challenges posed by weak domestic demand and a global slowdown.

At the same time inflation remains benign and well below the RBI's medium-term target of 4 per cent, stoking expectations for back-to-back rate cuts at the April 4 policy

meeting. Jalan declined to comment specifically on what the RBI should do at that meeting or on other policy settings.

Jalan said the RBI should decide how much it can do to facilitate credit flow and investment in the economy, given global risks and elections at home.

The former governor currently heads a central bank-appointed panel, which is studying how much of the RBI's surplus capital can be transferred to the government.

He declined to discuss the panel's deliberations, saying the report will be sent to the RBI next month and they will decide what needs to be done.

The RBI pays a dividend to the government every year from the profit it earns from investments, the printing of banknotes and other operations, while retaining a small portion as capital reserves. The government estimates the central bank holds at least ₹3.6 lakh crore more capital than it needs, with finance ministry officials suggesting last year that the money can be used to bolster weak state banks.