

QUICKLY

Rupee recovers 13 paise vs dollar

Mumbai, March 20
The rupee, on Wednesday, recovered by 13 paise to close at 68.83 against the US dollar amid sustained buying by foreign investors in domestic equity markets and lower crude prices. Brokers said foreign fund inflows in the debt and equity markets helped the rupee recover. However, the dollar's strength overseas capped the gains, they added. At the interbank forex market, the domestic currency opened lower at 69.11 a dollar and gained to touch the day's high of 68.72. It finally settled at 68.83 per dollar, up 13 paise over its previous close. The rupee, on Tuesday, had slipped by 43 paise to close at 68.96 against the dollar. **PH**

SIB plans to raise up to ₹250 crore

New Delhi, March 20
South Indian Bank (SIB), on Wednesday, said it will raise up to ₹250 crore by issuing Basel III-compliant bonds. The Capital Planning and Infusion Committee of the bank's board has approved a proposal in this regard. "The committee...approved the information memorandum for issuance of rated, unsecured, redeemable, non-convertible, Basel III-compliant, lower tier 2 bonds of up to ₹150 crore, with an option to retain an over-subscription aggregating up to ₹100 crore aggregating to a total issue size of ₹250 crore," the bank said in a regulatory filing. The bonds would bear face value of ₹1 lakh each, it said. The stock of the bank settled at ₹116, down 0.19 per cent on the BSE. **PH**

Despite rise in debit card issuance by banks, ATM numbers on the decline

As non-performing assets surge, lenders reluctant to shell out ₹3,200-4,800 crore to introduce lockable cassettes in ATMs

K RAM KUMAR

Mumbai, March 20
While debit card issuance skyrocketed in the first 10 months of the current financial year, the number of ATMs has come down, creating a challenging situation for banks and inconveniencing customers.

The number of ATMs in the country has come down by 399 in the first 10 months of the current financial year at 2,21,848 ATMs as of January-end 2019.

During this period, debit card issuance soared by seven crore at 93 crore as of January-end 2019.

This situation, where the ATM network expansion is not in step with debit card issuance, could see ATMs running dry

faster, requiring stepping up of the frequency of cash replenishment.

This development comes in the backdrop of the Reserve Bank of India asking banks and white-label ATM operators (WLAOs) to put in place measures, including lockable cassettes in ATMs (which will be swapped at the time of cash replenishment) and upgrading ATMs with supported versions of the operating system.

Further, banks are also weeding out old ATMs and those that are not viable.

Expenditure

Banks are staring at an expenditure of ₹3,200-4,800 crore to introduce lockable cassettes



Shutting shop The number of ATMs in the country has come down by 399 in the first 10 months of the current financial year at 2,21,848

in ATMs. But they are reluctant to incur this expenditure due to the burden of provisioning towards bad loans.

Radha Rama Dorai, Managing Director, ATM and Allied Ser-

vices, FIS, said: "ATM numbers have not been growing over the past one year."

"This is not a good situation, especially when the debit card issuance numbers are going up

month-on-month and DBT (direct benefit transfer) dispensations are growing. DBT beneficiaries need ATMs to withdraw the amount given by the government."

She observed that some banks have initiated the process of upgrading ATMs and reimbursing service providers for the increased costs, while others are shutting down ATMs that are not profitable.

Upgrading ATMs for compliance is a long drawn out and logistically challenging process, and one cannot expect full compliance across all ATMs in the country even by the end of this year.

Dorai underscored that various representations made by industry bodies to the regulator and the government for deferment or relaxation of deadlines have not yielded substantive results so far.

Exim Bank extends LoCs worth \$83 m to Congo

OUR BUREAU

New Delhi, March 20
Exim Bank of India has extended three lines of credit (LoC) aggregating \$83.11 million to the Republic of Congo.

These lines of credit have been extended for financing the installation of three solar photovoltaic power projects, with a total capacity of 35 MW, in the three provinces of Congo - Karawa, Mbandaka and Lusambo.

The LoC agreements were exchanged between Mossi Nyamale Rosette, Ambassador of Congo to India, and David Rasquinha, Managing Director of Exim Bank, during the 14th CII-Exim Conclave 2019.

With the signing of these three LoCs, Exim Bank, till date, has extended 10 LoCs to the African nation, taking the total value to \$578.05 million. The bank has now in place 244 LoCs covering 63 countries in Africa, Asia, Latin America and the CIS, with credit commitments of \$23.43 billion.

RBI rejects IDBI Bank proposal for name change

PRESSTrust OF INDIA

New Delhi, March 20
The Reserve Bank of India (RBI) has turned down IDBI Bank's proposal to change its name following the transfer of 51 per cent stake to LIC from the government of India.



Approval sought

The board of IDBI Bank had last month sought the RBI's approval to change the name of the lender to either LIC IDBI Bank or LIC Bank following the takeover by Life Insurance Corporation (LIC).

"The board of directors has, in its meeting held on March 19, 2019, taken note of the RBI's communication conveying their inability to accede to the bank's request for change of name of IDBI Bank Limited," IDBI Bank said in a regulatory filing.

However, the bank did not elaborate on the reasons for

denial by the regulator for changing the name. Earlier this month, the RBI changed the categorisation of IDBI Bank to a private sector lender from public sector lender following acquisition of majority stake by LIC.

Following the stake transfer, the government holding came down to 46.46 per cent from nearly 86 per cent in September 2018, while LIC's stake increased from 8 per cent to 51 per cent earlier this year.

In January, the insurance behemoth completed the acquisition of 51 per cent controlling

stake in IDBI Bank, marking the entry of the state-owned insurer into the banking space.

In August last year, the Cabinet approved the acquisition

'Reconsider move to categorise bank as private sector lender'

KR SRIVATS

New Delhi, March 20

The All-India Bank Employees' Association (AIBEA) has urged the RBI to reconsider its decision to categorise IDBI Bank as a private sector bank.

In a letter to the RBI Governor Shaktikanta Das, AIBEA General Secretary CH Venkatachalam demanded that IDBI Bank's categorisation be reverted as "other public sector bank". Although the government stake has come down below 51 per cent, AIBEA has highlighted that LIC, the main

shareholder now, is 100 per cent government-owned and, hence, the recategorisation was unwarranted and motivated against public interest.

"By recategorising the bank as a private bank, it is obvious that the RBI wants to shield the skeletons of the bank from public glare under RTI, CVC, etc.," said AIBEA.

"From AIBEA we would like to convey our strong opposition and protest against the reorganisation and reclassification of the bank as private bank," said Venkatachalam.

Shriram City aims for quarterly reduction in NPAs

Hopes entry into newer markets will drive SME and two-wheeler loans

G BALACHANDAR

Chennai, March 20

Shriram City Union Finance, a deposit-taking non-banking finance company of Chennai-based Shriram Group, expects quarterly reduction in its gross NPAs going forward, and also a sustained growth in two-wheeler and SME loans supported by its entry into newer geographies.

It had set a target to bring down the credit cost to 3 per cent from 4.1 per cent in March 2018.

"We have already done that, and we were under 3 per cent as of Q3," V Lakshmi Narasimhan, Executive Director, Shriram City Union Finance, told

BusinessLine. Elaborating further, he said the credit cost will drop as it plans to do more of cross-selling in the personal loan business, which is contributing to growth in the loan book.

"Here, we are doing the cross-sell only to the chosen customers who have behaved well in the past. More of this content will also clean up the portfolio," he added.

Also, the loan book acquired through its new underwriting model, is performing well. The more of that forming the loan book, better the quality. "These three will contribute to the overall reduction of gross NPAs as we move forward," said Narasimhan.

Two-wheeler market

Though the present conditions in the two-wheeler market are tight due to the huge

The Chennai-based company is eyeing Jharkhand, Bihar and Uttar Pradesh for the next growth curve

inventory, the top lender for two-wheelers is optimistic of growth opportunities.

The company has not tapped the eastern markets so far. States such as West Bengal account for about 5 per cent of the two-wheeler sales in the country; Jharkhand, Bihar and Uttar Pradesh (UP) are being mapped by the company for the next growth curve.

"UP is the largest State for two-wheeler sales in the country, and we are the lead financier there. But we have only 80-85 branches, and that market is yet to grow," he ad-

ded. Also, increasing two-wheeler finance penetration will come in handy for the company to take advantage of the opportunity. The financing penetration in southern States is about 40 per cent, while it is 18 per cent in UP.

"If the two-wheeler market grows by 9 per cent, we will grow at 20 per cent. If it grows by 5 per cent, our growth will be 12 per cent," he said.

SME loans

As the company expands to newer markets, the route will also be made clear to sell SME loans subsequently.

"Most of the two-wheeler buyers in those new markets are also self-employed, a key constituent in our SME portfolio. So, we see a clear runway for maintaining 20 per cent growth in SME loans," he added.

Muthoot Capital wraps up ₹236-cr securitisation deal with HDFC-MF

VINSON KURIAN

Thiruvananthapuram, March 20

Stringent monetary policy stance with respect to funding of non-financial banking companies (NBFCs) for working capital may increase the scope for securitisation transactions in their loan assets.

Securitisation deal

This is the view of Muthoot Capital Services (MCSL), a Muthoot Pappachan Group company, which has just concluded a ₹236-crore two-wheeler securitisation trans-

action. This is one of the largest securitisation deals in the two-wheeler finance space and the biggest single securitisation transaction so far for MCSL, said Thomas George Muthoot, Managing Director.

HDFC-MF, the largest mutual fund in India, subscribed to the entire issuance. The underlying loan pool received an 'AA' rating from CRISIL, a significant achievement in this asset class.

The deal was arranged and structured by Vivriti Capital,

which runs the largest institutional debt market platform in the country. The total number of individual loan portfolios involved in the deal were 76,252.

Primarily into auto-finance business, MCSL has a portfolio of about ₹2,600 crore as on December 31, 2018, with seven lakh customers spread across 18 States.

The total loan book of the company had increased by 56 per cent during 2017-18 over that of the previous year, and by 31 per cent dur-

ing the first nine months of the current financial year, George told BusinessLine.

In two-wheeler financing, the company operates with collateral in the form of the vehicle financed, supported by a mandatory guarantor.

The average loan-to-value (LTV) is in the range of 75 per cent.

The collection efficiency as on December 31, 2018, was assessed at as high as 96 per cent and the delinquency (90 days past due) trend in the overall assets under management as on the

above date was 4.80 per cent.

These are the receivables, which have been now securitised, said George, adding that asset securitisation would continue to attract market interest if there is dearth of equity coming into the NBFC sector.

"Banks/large lenders/investors looking for retail loans or looking for steady investment with regular returns are likely to approach entities such as MCSL for securitisation transactions," he said.

It has caught the fancy of both the lenders and investors as a transaction that ensures stable and reasonable returns in the medium term.

MCSL has always enjoyed the confidence of marquee investors, including leading mutual funds that are equity investors in the company, said George.

"The AA rating and subscription by HDFC-MF is a big validation of the inherent strength of our underwriting and servicing capabilities. This is a landmark

transaction for us and paves the way for more such deals in the future."

Meanwhile, Gaurav Kumar, Founder and Director, Vivriti Capital, said that the transaction size is among the largest seen in the two-wheeler financing space.

"We have been associated with MCSL since inception, and believe this is an important milestone in our approach of linking investors and high-quality issuers through our debt market platform."



IRDAI issues new guidelines for crop-loss assessment

OUR BUREAU

Hyderabad, March 20

General insurers should put in place a robust system to register all requests of individual crop-loss assessment, said the Insurance Regulatory and Development Authority of India (IRDAI).

"Where a request for individual loss assessment is rejected, a written rejection letter mentioning the reason should be sent to the insured. For all other cases, loss assessment survey should be done as per the prescribed norms," said Yegnapiya Bharath, Chief General Manager (non-life), in a communication to the general insurers.

Crop insurance claims

The guidelines were issued in the wake of various complaints to the regulator in respect of crop insurance claims. According to the guidelines, the companies should designate an authorised person for each cluster, who should be a senior-level officer with sufficient decision-making powers for the smooth implementation of crop insurance.

"Insurance companies must ensure proper representation in crop insurance meetings that may be called for by the relevant stakeholders," the regulator said, adding that deployment of adequate manpower for each cluster should be ensured. Co-observing crop-cutting experiments and allied activities, and liaisoning with the State governments, are among the other measures suggested to the insurers.

Rupee: Asia's worst currency is now the best

ANALYSIS

BLOOMBERG

March 20

Asia's worst-performing currency took five weeks to become its best.

The turnaround has been fuelled by the improved chances of Prime Minister Narendra Modi winning a second term amid recent tensions between India and Pakistan.

The optimism has led to local shares and debt luring robust flows, which have turned the carry-trade returns on the rupee to the highest in the world in the past month.

"The high-yielding rupee will likely advance further if Modi wins a second term," said Gao Qi, a currency strategist at Scotiabank in Singapore, who expects the currency to rally to 67 per dollar by June-end.

A dovish tilt by major central banks in the face of a faltering global expansion could also prompt foreigners to chase higher yields in emerging Asia, he said.

Here is a graphical look at the state of play in India's currency market:



Another Modi wave? The high-yielding rupee is likely to advance further if Narendra Modi gets a second term

Foreigners bought a net \$3.3 billion of shares through March 18, accounting for more than half the \$5.6 billion of inflows year-to-date, and raised holdings of bonds by \$1.4 billion this month.

The gush of dollars sent the rupee to its highest level since August, prompting profit-booking that saw the currency posting its first drop in seven sessions on Tuesday.

Gaining allure

Borrowing in dollars to purchase rupee assets has earned 3.8 per cent over the past one month, the best carry-trade return in the world. Two opinion polls

showed Modi's ruling coalition may get close to the 272 seats needed for majority in elections that begin on April 11. Results are due on May 23.

"The market is pricing in a Modi victory as there are no other factors that explain the sudden change of mood," said Anindya Banerjee, an analyst at Kotak Securities in Mumbai. On top of that, carry traders are eager to be long rupee and short other low-yielding currencies, including the dollar. It is a get-set-go for the rupee.

Options costs

The rupee optimism is also reflected in the derivatives

market, where one-month options conferring the right to sell the rupee now cost 19 basis points more than those to buy. That is down from 148 on September 5, which was the highest since November 2016.

"Global conditions - dovish Fed and ECB - have turned more supportive and domestically, increased confidence in the BJP's prospects and a recovery in portfolio flows have been the key driver for the rupee," said Dushyant Padmanabhan, a currency strategist at Nomura Holdings in Singapore.

Swings ebb

The rupee's three-month implied volatility, a gauge of expected swings used to price options, fell to 5.87 per cent on Friday, the lowest reading since August.

We expect the rupee to remain resilient in the near term, as bunched up foreign inflows limit any pressure from weakening EMEX sentiment, Barclays strategist Ashish Agrawal, wrote in a note.

A potential BJP-led coalition victory would bode well for the rupee for the rest of this year.