QUICKLY

Rupee marginally higher at 69.03

Mumbai, June 28

The rupee on Friday notched a marginal 4 paise gain at 69.03 as the forex market keenly awaited further cues from the high-stakes G20 summit. On a weekly basis, the Indian currency has gained 55 paise. At the fiorex market, the domestic unit opened at 69.00 and swung between the day's high of 68.88 and low of 69.11 to the US dollar. It finally settled at 69.03 a dollar, registering a rise of 4 paise. Meanwhile, the 10-year government bond yield was at 6.88 per cent on Friday. The Financial Benchmark India Private Ltd set the reference rate for the rupee/dollar at 69.2216 and for the rupee/euro at 78.5887. The reference rate for the rupee/British pound was fixed at 87.7356 and for the rupee/100 Japanese yen at 64.01. PTI

NHB gets a new Managing Director

New Delhi, June 28

The National Housing Bank (NHB) has a new Managing Director in Sarada Kumar Hota. Prior to this appointment, Hota was Managing Director and Chief Executive Officer of CanFin Homes. Hota, who has assumed charge of his new role, has been appointed as housing finance regulator by the Appointments Committee of the Cabinet for a period of three years. NHB had been headless since August last year when the former MD Sriram Kalyanaraman stepped down. Dakshita Das, Additional Secretary in the Finance Ministry, was holding additional charge as the Managing Director of NHB, which is now wholly owned by the government. OUR BUREAU

Cash-starved DHFL confident of bringing strategic investor by mid-July

Company hopeful that the proposed partner will pump in close to $1 billion

KR SRIVATS

New Delhi, June 28

The $22-billion Wadhawan Global Capital (WGC) is confident of roping in a strategic partner in its cash-strapped mortgage lending firm DHFL by mid-July, a top official said.

The process of identifying the strategic investor is very much on and the deal is expected to be closed soon, according to this senior management official who did not wish to be identified.

As many as four private equity firms including KKR, Cerebrus and AION Capital are in the race to pick anywhere between 15 and 30 per cent equity in DHFL, it is learnt.

Currently, the promoters — Wadhawan family — control close to 40 per cent in DHFL.

There is an expectation that the proposed strategic investor would pump in close to $1 billion in DHFL and this could help reduce the debt-equity ratio of DHFL, which is battling a liquidity squeeze, to more acceptable levels.

Contrary to media reports, DHFL is not looking to split the company or offload large-scale wholesale real estate loans before roping in a strategic investor, sources said.

It is understood that the prospective strategic investors are keen to buy into DHFL as a whole, including the component of wholesale real estate loans.

There were earlier reports that DHFL may first sell wholesale real estate loans worth ₹17,000-18,000 crore to US-based Oaktree Capital before bringing in a strategic investor.

The troubled mortgage lender has been defaulting on its repayment obligations, especially on commercial paper transactions.

The troubled mortgage lender has been defaulting on its repayment obligations, especially on commercial paper transactions ISTOCK/OATAWA

Meanwhile, WGC is also looking to exit from its life insurance venture — DHFL Pramerica Life Insurance, a company in which it has 51 per cent shareholding.

Plans are afoot to exit from its wholly-owned general insurance entity (DHFL General Insurance) too, sources said.

Board meeting postponed

DHFL on Friday said that it was postponing its board meeting for the fourth quarter results/annual results for 2018-19 from the earlier announced June 29 to July 13.

This is being done in light of certain unforeseen operational engagements including non-availability of a few directors to ensure participation of all the members of the Audit Committee as well as the Board for taking into consideration and approval of the financial results, DHFL said in a regulatory filing with the stock exchanges.

NBFC woes catapult bond premiums to 6-year high

BLOOMBERG

June 28

The woes of non-banking financial companies across the country are worsening by the day with investors now demanding the highest premium in six years to hold their short-term debt.

Spreads on top-rated one-year bonds of non-bank lenders over government bonds of the same maturity have risen 63 basis points since India's mini-Lehman moment when the systemically important Infrastructure Leasing & Financial Services was cut to default in September.

Ongoing crisis

This is the widest level since 2013, according to data compiled by Bloomberg.

Trouble has only spread across the sector in recent months.

Edelweiss Financial and Piramal Capital & Housing Finance are the latest to join an expanding list of NBFCs being downgraded or placed under watch by rating companies after ICRA cut their long-term ratings this week.

Others in the list include Reliance Capital, default-rated Dewan Housing Finance and Indiabulls Housing Finance.

Realty hit

The crisis has hurt the real estate sector, which had grown increasingly dependent on shadow banks for financing in recent years, raising prospects of a wave of defaults that could hit back at the non-bank lenders.

"With the liquidity situation not easing up and the real estate stress building up, investors are expected to continue to be selective with their shadow bank investments and also ask for higher premiums in the coming months," said Jindal Haria, Director at India Ratings.

Insolvency proceedings: For each revival under IBC, four firms go under

Over 1,000 cases still under the process

V RISHI KUMAR

Hyderabad, June 28

There have been four deaths for every revival case under the Insolvency and Bankruptcy Code (IBC) proceedings.

And significantly for those four, which have headed for liquidation, the process continues without much progress and hardly any takers.

Further, of the 1,858 cases taken up for resolution and finding a suitor for a revival plan, more than 1,000 are still under various stages of proceedings at the National Company Law Tribunal (NCLT).

As on March 31, 2019, of the total 1,858 cases admitted under insolvency proceedings, 94 achieved resolution, 243 were settled by mutual consent or appeals, and 378 companies' cases were taken up for liquidation. And, the rest are still undergoing the corporate insolvency resolution process (CIRP).

The enactment of the Insolvency and Bankruptcy Code, 2016, was aimed at addressing the problems of sick units in a time-bound manner by re-organising and achieving a resolution.

While the law came as a ray of hope and helped resolve a number of cases, particularly in the steel sector, the same cannot be said about the power sector. Most players in the power sector are struck without resolution during the case time, and even after resolution those headed for liquidation are in doldrums.

For the bleeding companies and non-performing assets, the Code was a way out of the mess looming large over them due to the piled-up debt and the banking sector being saddled with bad books.

Lokesh Vasudevan, Partner at Brahmayya & Co, said, "The Code is a beneficial legislation which should have put the corporate debtor back on its feet and not be treated as a mere recovery legislation for creditors. Recovery in case of resolution is fixed and unchangeable, whereas, realisations out of liquidation are uncertain, time-consuming and stressful."

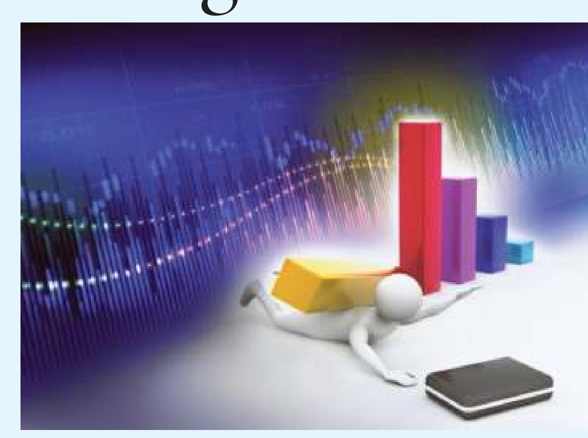
The alarming aspect of the insolvency process has been that the livelihoods of thousands of employees and businessmen and suppliers who were dependant on these companies have uncertainty staring at them as the future is not clear.

And when they head for liquidation, the situation is even worse — so when an asset could not be revived as a 'going concern' during the process, who will respond to a piecemeal sale of liquidated assets is a larger question.

Vasudevan said the spirit of the law is to keep the entity a 'going concern'. However, in most cases, the operations have come to a halt, without cash flows and an uncertain future.

For the banking sector, which has been drawing flak for the mounting debt in their books, they need to respect the intent of the IBC to find a resolution in the interest of the company and the economy.

In some cases which have been resolved, the amount that has actually come through as settlement towards revival is a pittance. However, the best part is the company will continue its operations. And, in cases where there is no revival plan and the company is headed for liquidation, it is even worse as it would be tougher to find a suitor.



The enactment of IBC, 2016, was aimed at addressing the problems of sick units in a time-bound manner by re-organising and achieving a resolution ISTOCK/BRIJITH VIJAYAN

Tapping tech: RBI arm readying a model blockchain platform for banking needs

Institute for Development and Research in Banking Technology sees big scope; upbeat on partnering fintech start-ups

G NAGA SRIDHAR

Hyderabad, June 28

The Institute for Development and Research in Banking Technology (IDRBT), an arm of the Reserve Bank of India, is developing a model blockchain platform to cater to the needs of banks.

"We have been working on a model platform for blockchain applications for the government in banking. It will be documented and developed next year," AS Ramasastri, Director, IDRBT, told *BusinessLine*.

The platform will put up all available blockchain applications with inter-operability, among others.

Though banks and financial institutions have been referring to blockchain of late, real deployment of its applications has not been attempted so far.

"While there is huge scope for deployment of blockchain applications, a cautious approach is very much needed," Ramasastri said.

Teaming with fintech cos

The apex institute for banking technology is also ramping up activities of the Fintech Forum launched a few months back with the main objective of providing a continuous innovative platform to fintech companies and banks, to enhance the co-innovation and to reduce the on-boarding time for new technologies.

"The dialogue is on and we are expecting good outcomes from this exercise," the Director said. The focus areas of research and innovation include analytics, cyber security, blockchain and payments systems. "Fintech companies are accelerating and reshaping the financial services industry radically," he said adding that banks and financial institutions are realising the value-addition in adopting and adapting various fintech innovations.

AS Ramasastri, Director, IDRBT

There has been lot of start-up innovation in the sector and such a collaboration between banks, research institutions and fintech players will tend to increase not only revenues, but also bring about innovation to benefit the customers, he added.

Digital transactions

On probable future trends in banking technology, Ramasastry said digital transactions were bound to increase and the UPI "has come long way by now."

"We believe 5G will have more role to play with many applications in banking. We are also in the process of setting up a 5G Cases Lab for banks," he added. The soft launch of the lab has already been done. It will develop and demonstrate 5G use cases for banking and financial services.

A banking technology museum set up by IDRBT, has been attracting greater interest from banks, financial institutions and technology enthusiasts.

It is showcasing a digital feel of payments system, storage evolution and many exhibits to stimulate further interest and innovation.

ACB unearths loan fraud of over ₹177 cr in J&K Bank

Books bank management, officials and beneficiaries

OUR BUREAU

New Delhi, June 28

The Anti Corruption Bureau, Jammu, on Friday formally booked the management, officers and officials of J&K Bank along with the beneficiaries of financial irregularities/loan fraud worth crores of rupees. The agency also conducted searches at various premises.

This came after a Joint Surprise Check (JSC) was conducted by ACB Jammu following allegations that J&K Bank officials had extended loans to the proprietors of a partnership firm Paradise Avenue during 2012-17 flouting the norms and, resultantly, the loan accounts turning non-performing assets (NPAs).

Surprise check

During the surprise check, the ACB found that the firm's proprietors had approached J&K Bank's New University Campus branch in Jammu for a loan of ₹74.27 crore to set up a residential complex, 'Paradise Avenue', at Narwal, Jammu, consisting of 52 flats in two towers.

The loan was sanctioned on January 30, 2012, with a pre-condition that the loan would be disbursed in phases, after securing a margin of ₹22.09 crore, including an unsecured loan of ₹2 crore, from the borrowers on pro-rata basis.

No titles

On scrutiny of the records of the branch, it surfaced that the loan amount was sanctioned by the bank in January 2012 with which the firm purchased 30 *kanals* of land (one *kanal* is one-eighth of an acre) with sale deeds registered in July 2012.

This meant that the firm had no titles to the land when the loan was sanctioned in January 2012.

It also came out that with the collusion of the bank officials, the consideration amount in the sale deed was shown to be paid through cheques with an inflated cost of the land.

Subsequently, the cheques were taken back and fresh cheques issued to the land owners from the loan account of Paradise Avenue and a loan account of Shree Simula Solutions, a firm of the leading partner of the firm.

Bank officials involved

Aware that the bank's rules do not allow sanction of loans against purchase of land for a residential project, which is a commercial activity, the firm's proprietors issued letters to the bank indicating that the land owners had supplied construction materials to the firm. But no material was, in fact, purchased by the firm from them.

Further scrutiny of the bank records revealed that though the bank was to release the loan amount in phases, by March 2014, it had disbursed the entire amount, in the first instalment itself.

The firm also took three more loans for ₹68.91 crore, ₹20 crore and ₹14.5 crore, totalling ₹177.68 crore in connivance with the bank management and officials.

The repayment of the loan was to start from September 2017 in quarterly instalments of ₹11.27 crore. However, the proprietors turned wilful defaulters, allegedly to get the loan account declared an NPA; indeed, on December 31, 2017, the loan account was declared an NPA by the bank.

The collusion between the bank management and the firm appears to have continued, with loans totalling ₹177.68 crore settled for ₹130 crore under the One Time Settlement (OTS) mechanism.

The bank management waived ₹50 crore on the principal amount, inflicting a substantial loss on the bank. Further, a a cheque for ₹40 crore, issued by the firm towards the OTS, bounced.

The ACB, Jammu, registered a case and conducted searches at the premises of individuals/companies connected with Paradise Avenue. It has seized incriminating material, documents, etc. Investigations are on. Email queries sent to J&K Bank remained unanswered.

Syndicate Bank bets on Big Data to boost growth

AJ VINAYAK

Manipal, June 28

Syndicate Bank is focusing on improving its information technology infrastructure in areas such as Big Data and Analytics.

Replying to a query by a shareholder on the capex investment of the bank for the next two to three years at the annual general meeting (AGM) of the bank at Manipal of Udupi district, Karnataka, on Friday, Mrutyunjay Mahapatra, Managing Director and Chief Executive Officer, said the bank has taken initiatives around Big Data, Analytics, Machine Learning and natural language processing for data-driven decision-making in the areas of loans, sales, marketing and targeted campaign management.

Explaining this further, Atul Kumar, General Manager of the bank, said data is very important now, and it will gain more importance in the days to come.

Banking on data

He said the bank is trying to do a lot of research with data of its existing customers, and trying to offer more products per customer.

Apart from this, the bank is trying to improve its technological platform that include core banking solution and mobile banking, among others.

Agri loan waivers

To a query by a shareholder on the agri-loan waiver schemes in different States, Narasimha Rao, General Manager, said implementation of the waiver scheme is almost completed in Karnataka. Such schemes have also been announced in Maharashtra, Rajasthan, Chhattisgarh, Punjab and Uttar Pradesh. Stating that the implementation of these schemes is in different stages, he said all these are likely to be completed by the end of the current financial year.

Jewel loans

When one of the shareholders urged the bank to focus on jewel loans, Nageshwar Rao, Whole-time Director and official on special duty of the bank, said the jewel loans business of the bank is improving. Hitherto, the bank did not have much exposure to jewel loans in northern India. The bank is taking steps to improve jewel loan portfolio there by identifying branches, he said.

Ajay Vipin Nanavati, Chairman of the bank, chaired the annual general meeting of the shareholders of the bank.

Bandhan Bank wants to stick to microfinance

Hit by its exposure to IL&FS, the bank plans to tread 'cautiously'

OUR BUREAU

Kolkata, June 28

Bandhan Bank plans to stay away from big-ticket corporate loans and focus on its core business of micro-lending in the short term.

According to CS Ghosh, Managing Director and CEO, financial inclusion and reaching out to the under-banked will remain the key focus for the bank. Micro loans account for nearly 86 per cent of the bank's total advances.

The decision to go slow on big-ticket corporate loans stems out of the bank recently taking a hit on account of its exposure to IL&FS. The gross non-performing assets (NPAs) of the bank increased to 2.04 per cent at the end of Q4 of FY19 against 1.25 per cent in the corresponding quarter of the previous year.

"The increase in NPA is primarily due to the classification of the infrastructure exposure that we had as non-performing," Ghosh said at the bank's annual general meeting here on Friday.

The bank had already made a provision of ₹385 crore last year on the account, he said responding to shareholders' queries on the rise in NPAs.

Bandhan Bank would like to grow "cautiously" in the near term and stay away from big-ticket corporate loans, Ghosh told newspersons on the sidelines of the AGM. "Drastic growth will not be sustainable. We would like to grow carefully," he said.

Focus areas for growth

The bank has identified four pillars of growth which includes dominating and defending the core micro-finance business, explore and expand the affordable housing segment, explore and expand into adjacent domains of retail and micro-enterprises, and garner low-cost funds from core and adjacent segments.

The bank, which has been witnessing steady growth in an organic manner, has also identified an opportunity to grow inorganically by merging Gruh Finance, which operates in the affordable housing segment, with itself.

The Reserve Bank of India, stock exchanges and Competition Commission of India (CCI) have already granted their approvals to the merger. The National Company Law Tribunal has directed the bank to convene a meeting of equity shareholders to consider, and if thought fit, to approve the scheme of amalgamation.

The meeting with shareholders will be held on July 30.