'Slowdown evident,

may be temporary'

SPECIAL CORRESPONDENT

that it could be temporary.

the economy which was re-

flected in a lower GDP

growth of 6.8% in FY19.

While there has been an

across-the-board slowdown

in consumption, given the

inherent demand and low

penetration levels, I do be-

lieve this is temporary in

He said demand for affor-

dable housing remains

adequate in the country,

which has been supported

by the government's flag-

ship credit-linked subsidy

scheme and incentives pro-

vided to developers to in-

crease the supply of afforda-

ble homes. He also said the

demand for commercial

real estate had been bu-

oyant, especially across the

However, the challenge in

the housing sector has been

with the upper middle seg-

ment and high-end luxury

housing. "It is this segment

where unsold inventory le-

vels are high. This is where

the price of the apartments

are typically above ₹2

The problem was com-

pounded with the tight li-

quidity situation prevailing

since September 2018,

which particularly impacted

non-banking finance com-

panies and housing finance

firms. The challenge today

was risk aversion, he added.

"Banks are reluctant to

top 8 cities.

crore," he said.

nature.'

Banks reluctant to lend, says Parekh

MARKET WATCH						
	02-08-2019	% CHANGE				
Sensex	37,118	0.27				
US Dollar	69.60	-0.78				
Gold	35,630	-0.46				
Brent oil	62.32	-1.73				

NIFTY 50		
		CHANG
Adani Ports		
Asian Paints		
Axis Bank	673.85	4.5
Bajaj Auto	2600.55	62.9
Bajaj Finserv	7063.70	18.3
Bajaj Finance	3237.90	15.8
Bharti Airtel	343.55	19.6
BPCL		
Britannia Ind	2594.40.	6.5
Cipla	516.10	3.6
Coal India		
Dr Reddys Lab	2529 20	-4 5
Eicher Motors		
GAIL (India)		
Grasim Ind		
HCL Tech.		
HDFC		
HDFC Bank		
Hero MotoCorp		
Hindalco		
Hind Unilever		
Indiabulls HFL		
ICICI Bank		
IndusInd Bank		
Bharti Infratel	251.40	0.4
Infosys	775.60	6.7
Indian OilCorp		
ITC		
JSW Steel	225.15	0.1
Kotak Bank	1507.60	11.8
L&T	1370.25.	12.2
M&M	556.45.	7.9
Maruti Suzuki	5689.35	116.7
NTPC	123.10	3.7
ONGC		
PowerGrid Corp	210.55	3.4
Reliance Ind		
State Bank	308.45	-8.7
Sun Pharma		
Tata Motors		
Tata Steel		
TCS		
Tech Mahindra		
Titan		
UltraTech Cement		
UPL		
Vedanta Wipro		
YES Bank		
Zee Entertainment.	341.50	5.3

EXCHANGE RATES					
Indicative direct rates in rupees a unit except yen at 4 p.m. on August 02					
CURRENCY	TT BUY	TT SELL			
US Dollar	69.39	69.71			
Euro	76.94	77.29			
British Pound	84.17	84.56			
Japanese Yen (100).	64.88	65.19			
Chinese Yuan	10.00.	10.05			
Swiss Franc	70.38	70.72			
Singapore Dollar	50.37	50.61			
Canadian Dollar	52.35	52.59			
Malaysian Ringitt	16.68	16.78			

<b>BULLION RATE</b>	S CHEN	NAI	
August 02 rates in vious rates in parent	rupees theses	with	pre-

3383.....(3333)

### **+** RBI penalises eight banks for violations

SPECIAL CORRESPONDENT

The Reserve Bank of India (RBI) has imposed a monetary penalty on eight banks violating various

Seven banks - Allahabad Bank (₹2 crore), Bank of Baroda (₹1.5 crore), Bank of India (₹1.5 crore), Bank of Maharashtra (₹2 crore), Indian Overseas Bank (₹1.5 crore), Oriental Bank of Commerce (₹1 crore) and Union Bank of India (₹1.4 crore) were fined for non-compliance with certain directions issued by RBI on current accounts, end use of funds, etc. Corporation Bank, another PSB, was fined ₹1 crore for non-compliance with RBI directions on cybersecurity framework in banks and frauds classification and reporting.

# SBI net at ₹2,312 crore, slippages rise

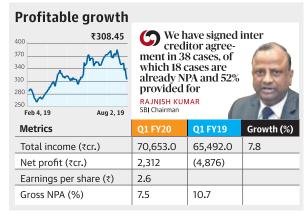
Slippages to bad loans zoom 62% to ₹16,212 crore; bank signs 38 pacts for stressed asset resolution

State Bank of India (SBI), the country's largest lender, reported a net profit of ₹2,312 crore for the April-June quarter, as compared to a net loss of ₹4,876 crore during the same period of the previous year, on account of lower provisions.

Slippages to bad loans, however, rose sharply to ₹16,212 crore during the quarter as compared to ₹9,984 crore reported during the same period of the previous year.

SBI Chairman Rajnish Kumar listed three reasons for the higher slippages.

One was a regular account of a Maharatna company that was classified by another bank as NPA since the required documentation for



resolution could not be completed. Hence, other banks had to classify it as NPA.

"The situation could be corrected very quickly. The amount is ₹2,000 crore," Mr. Kumar said.

Second is a spike in farm loan NPA from one State due

to waiver. Sources said the State concerned Maharashtra.

The third reason, according to Mr. Kumar, was some benefit in terms of asset classification of debt restructuring of small and medium enterprises (SMEs) last year, which was not there this

"So, there are the three major factors. Otherwise slippages are in normal trend," Mr. Kumar said.

Asset quality

Going ahead, asset quality will depend on how fast the bank could resolve stressed accounts. The lender has signed 38 Inter Creditor Agreements (ICAs) with other lenders for resolution.

"We have signed ICA in 38 cases, of which 18 cases are already NPAs and 52% provided [for]. In the remaining 20 accounts, the amount due is ₹19,000 crore. Of this amount, two borrowers account for 15% and 70% each, respectively," Mr. Kumar

While SBI's gross NPAs de-

clined to 7.53% from 10.69% from last year, it was flat sequentially. Provisions for bad loans were down 10.6% yearon-year to ₹11,648 crore.

Net Interest Income growth was only by 5.23% on year for the quarter. This was mainly due to higher base as one large account was resolved during the same period of the previous year. The bank reported domestic net interest margin of 3.01% for the quarter.

"The NIM has consistently improved," Mr. Kumar said, adding that the scope of upside to the margins was limited.

Domestic credit growth was 11.89% driven by 18.7% growth in retail loans. SBI said it expected credit growth to be 9-11% for the financial year.

#### Govt. to infuse ₹10,000 crore in HFCs

REUTERS NEW DELHI

The Centre is infusing an additional ₹10,000 crore in housing finance companies (HFCs) to boost lending in the sector, a government statement said. The move comes at a time when the non-banking finance company sector is under stress due to a lack of liquidity.

"To further ease flow of funds in the housing sector, the National Housing Bank is making available from today, a liquidity infusion facility of ₹10,000 crore for HFCs as extra liquidity," it added. Finance Minister Nirmala Sitharaman will meet bankers on August 5 to review credit growth in various sectors.



lend and there has been a flight to safety where a select, few, high-rated NBFCs and HFCs have access to funding, while for several others, access to credit has been chocked," he said.

"One is hopeful that normalcy will be restored soon and by the time the festive season sets in, some of the risk aversion should taper off ...to my mind, what is critical is re-instilling confidence in lenders to support growth in the economy," he

#### **HDFC net rises 46%** Meanwhile, the lender post-

ed a 46% rise in its net profit to ₹3,203 crore for the April-June quarter on the back of the sale of its arm Gruh Finance to Bandhan Bank. It had posted a net profit of ₹2,190 crore a year earlier.

The profit before tax for the quarter was at ₹3,985 crore compared with ₹3,070 crore in the previous year. "This is inclusive of the profit on sale of investments on part stake sale of Gruh Finance of ₹1,894 crore during the quarter ended June 30, 2019," HDFC said. Asset quality worsened mainly due to slippages from the non-individual loans. Gross NPA was at 1.29% at the end of June as compared to 1.18%

# 'Market outlook grim as slowdown fears rise'

Phenomenon turning out to be structural, says Kotak Securities

ASHISH RUKHAIYAR

The Indian equity benchmarks have corrected significantly from their highs but most market participants still have a grim outlook on the back of slowing growth, fall in consumption, subdued earnings and no concrete signs of recovery in the near future. Experts believe that the

slowdown, which was looking cyclical, is turning out to be structural in nature and combined with lack of measures to contain it may result in further fall in the valuation of companies. "The major concern for the market is serious slowdown seen in various sectors that seemed cvclical at the start but are turning out to be structural in nature," said Kotak Secur-

SPECIAL CORRESPONDENT

The Reserve Bank of India

(RBI) has mandated that the

elected directors of public

sector banks (PSBs) are to be

appointed by the nomina-

tion and remuneration com-

mittee of the board of the

The RBI has come out

with guidelines on 'fit and

proper' criteria of elected di-

rectors in PSBs and said all

these banks were required

to constitute a nomination

and remuneration commit-

tee consisting of a minimum

of three non-executive direc-

tors from the board, out of

which not less than one-half

will be independent direc-

tors and should include at

least one member from the

risk management committee

respective banks.



**Slow but sure:** Firms across sectors, especially auto and FMCG. have been seeing fall in sales. • ARUNANGSU ROY CHOWDHURY

ities, in its outlook report.

"Consumption-led growth and high government spending could be running out of steam and we are not seeing any revival in private investment. The slowdown in consumption largely reflects moderate growth in household income and higher tax-

Elected directors in PSBs will

utive chairperson of the

bank may be appointed as a

member of the committee

but shall not chair such a

On the tenure, the RBI said

an elected director can be

appointed for three years

and could be re-elected but

cannot hold office for than

committee," the RBI said.

**Maximum tenure** 

be appointed by board: RBI

Banking regulator mandates 'fit and proper' criteria

es on households," it added. The Sensex has lost nearly 8% compared to its high of 40,312 touched in June. The broader Nifty is also down over 9% after breaching 12,100-mark early this year.

Incidentally, slowdown seems to be the most feared word on the street currently

should not be holding the

position of a Member of Par-

liament or State Legislature

or municipal corporation or

municipality or other local

stock broking, or a member

of any other board of a bank

or financial institution, con-

nected with hire purchase,

financing, money lending,

investment, leasing and oth-

er para banking activities

cannot be considered for the

Moreover, the RBI said

the candidate should not be

acting as a partner of a char-

tered accountant's firm

which is currently engaged

as a statutory central auditor

of any nationalised bank or

the State Bank of India.

appointment.

Candidates engaged in

bodies," the RBI said.

with companies across sectors, especially automobile and FMCG, which often reflect the overall demand scenario, reporting a fall in

"The sharp slowdown in auto sales, NBFC stress and recent disappointment with the Budget has turned the narrative pessimistic among investors," UBS wrote in a report. In June, total vehicle sales dipped by over 12%, with passenger vehicles sales falling over 17%. "There are structural undertones of a lack of quality jobs, implying the consumption resilience seen until early 2018 is likely unsustainable... Our view is that a negative feedback loop may be developing, creating risks of a vicious macro cycle in the near term," added the report.

## 'Too much of reforms has led to slowdown'

Kant attributes downshift to spate of measures including GST, RERA and IBC

SPECIAL CORRESPONDENT

A spate of reforms undertaken by the government has led to the current slowdown Kant, the CEO of policy think-tank NITI Aayog, said on Friday. This came as a note of caution from the senior official as he was advocating a series of policy decisions to revive the economy.

**Greater liquidity** 

"Firstly, you need to bring in greater levels of liquidity. Secondly, you need to revive the animal spirit of the private sector, you can never create wealth without the private sector. Thirdly, the government needs to get out of business in a range of areas and you need to recycle a lot of government assets such as roads. We have done this with airports. Gas grids, gas pipelines, trans-



fourth largest passenger EV market by 2040 • EMMANUAL YOGINI

mission lines should be privately-owned. NITI Aayog has recommended a vast range of public sector for privatisation. Once we have private sector coming in, bank credit will start flowing in and this is critical. Fourthly, we must push for major structural reforms as we did earlier," Mr. Kant said at a Bloomberg NEF summit held in New Delhi.

"One of the reasons for the slowdown is that it has had too much of reforms -GST, IBC, RERA – a huge set of reforms which we have undertaken and I think the next round of reforms must revolve around sectors like oil and gas, mining, coal. We must commercialise coal mining, railways and they will really drive the growth in India," he said.

ment's push for electric vehicles in the country, the NITI Aayog CEO said that the government would work to denufacture and export of EVs. "We have lost out on the

Talking about the govern-

mobile revolution, photovoltaic revolution, telecom equipment revolution. We are a nation of massive domestic demand, but all this demand we import. We will not allow that to happen in the EV [electric vehicle] world.

"We will ensure that India becomes a global hub for manufacturing and exports," Mr. Kant said at the summit in New Delhi. Bloomberg NEF released a report on the future of mobility in India and has forecast that India may become the fourth-largest passenger EV market by 2040 with 26 lakh vehicles. China, U.S. and Germany will top the table.

## ITC first-quarter profit rises 12.6% to ₹3,174 cr.

Hotel segment revenue up by 15%

SPECIAL CORRESPONDENT

ITC Ltd. closed the first quarter with a ₹3,173.9 crore profit for the period, which was 12.6% higher than for the year-earlier period. This came on the back of a nearly 6% rise in its operational revenue to ₹11,502.8 crore.

Revenue from 'FMCG-Others' increased by around 8% amid sluggish demand conditions, ITC said in a release.

Hotel segment revenue increased by 15%, driven by robust performance of new properties. ITC Royal Bengal, Kolkata, commissioned on June 1, had received a good response, the company said.

Construction of an ITC Hotel in Ahmedabad and WelcomHotels in Amritsar, Guntur and Bhubaneswar is progressing.

Paperboards, paper and packaging segment revenue rose by 13%, driven by growth in value-added paperboards and product mix enrichment. The packaging and printing business, however, was impacted by a slowdown in the FMCG industry and in exports.

Agri business impacted In the agri business segment, subdued demand for leaf tobacco in international markets, steeper currency depreciation, limited trading opportunities in oilseeds and pulses, and adverse business mix weighed on the

Total comprehensive income for the quarter, after several adjustments, stood at ₹2,960.9 crore, against ₹2,987.1 crore.

# People and management will be focus areas, says Mindtree CEO

They are key to enhancing growth momentum: Chatterjee

Debashis Chatterjee, the new CEO & MD of L&Towned Mindtree, said his immediate focus would be on the people and the management.

For the long-term, he has been tasked with taking the company to the 'next level of growth'. Addressing the media on Friday, Mr. Chatterjee said: "I'm excited about the opportunity being presented to me. When a new person comes in, there is this 100-day plan and my first priority is to understand the Mindtree minds and the management, and these are critical in strengthening the growth momentum of the

company.' Introducing the new top executive to the media, S.N.



Subrahmanyan, CEO and managing director of L&T, who is currently on the board of Mindtree said, "Mr. Chatterjee would help Mindtree achieve its global objectives. He would be able to bring in stability to Mindtree, and would be able to work with the management, clients, employees and other stakeholders."

Prior to joining Mindtree, Mr. Chatterjee was president, global delivery and global leader for the digital systems and technology practice at Cognizant.

22 years at Cognizant

During his 22 years of service at Cognizant, Mr. Chatterjee held various leadership roles, ranging from running the banking and financial services practice; to building and managing several delivery operations centres; to driving technology innovation and next-generation solutions across lines of service.

He was a key member of the executive leadership group, as well as a member of the board of directors for Cognizant, India, a statement said.

## 'U.S.-China trade war — India missed its chances'

Testing times for private sector: Naik

SPECIAL CORRESPONDENT

India has failed to capitalise on opportunities arising from the U.S.-China trade war, according Larsen and Toubro (L&T) chairman A.M. Naik

"For two years, the U.S. President was talking about moving industries out of China. How many have come to India? We were busy with elections, and we did not do anything, but we should do something now.

The government should now keep its promises made during the elections," said A.M. Naik on the sidelines of the company's AGM on Thursday. "In the trade war between the U.S. and China, a number of industries have shifted to Thailand and Vietnam, but why not to India? asks Mr. Naik.

On the slowing economy, Mr. Naik said: "Growth is going to be not more than 6.5% this year. My feeling is that though they claim it is 7%-plus, if we can maintain 6.5%, we will be lucky. I think the government knows the economy is slowing." It would take a year or a year-and-a-half before accelerated spending for development comes.

On ballooning debts of India Inc., Mr. Naik said: 'The private sector is in challenging times in terms of investment; only onethird is able to keep what they have. A number of companies now need to sell what they have, to repay

He urged Prime Minister Narendra Modi to replicate his Gujarat model to expedite clearances for industry.

### **Equitas wants** time to list its banking unit

SPECIAL CORRESPONDENT

Equitas Holdings Ltd. (EHL) has sought extension of time for listing its wholly owned subsidiary - Equitas Small Finance Bank Ltd. (ESFB) - as it is awaiting various regulatory approvals.

When Equitas was issued the banking licence, it was asked to complete listing its shares within three years from the date of commencing operations i.e. by September 4, 2019.

In February, Equitas's board approved the composite scheme of arrangement. ESFB was expected to get approvals from the Securities and Exchange Board of India, Reserve Bank of India, stock exchanges, National Company Law Tribunal, shareholders and creditors.