QUICKLY

Rupee up 5 paise versus dollar

Mumbai, October 11

The rupee pared early morning gains to settle higher by 5 paise at 71.02 against the US dollar on Friday as a sudden spike in Brent crude prices following missiles attack on an Iranian oil tanker weighed on investor sentiment. At the interbank foreign exchange market, the rupee had opened at 70.82 against the US dollar. Later, the local unit lost ground and fell to a day's low of 71.08. The domestic unit finally settled at 71.02, higher by 5 paise over the previous closing price. On Thursday, the rupee had settled at 71.07 against the American currency. On a weekly basis, the currency has lost 14 paise. PTI

Muthoot Finance stir called off

Kochi, October 11

The 51-day-old strike at Muthoot Finance ended with the company management and the Muthoot Banking and Private Finance Employees Association reaching an agreement at a conciliatory meeting. All employees will now get an interim wage revision of ₹500 a month from October. Increment will be given with retrospective effect from April, and the Labour Department will ensure that the annual bonus for 2018-19 will be paid, a release issued by the trade union said. The Kerala High Court had appointed Liji K Vadakkedam as the mediator for the negotiations. It was also decided that all employees who were either suspended or dismissed from the service following the strike will be reinstated by the company. OUR BUREAU

Credit growth slows to 8.74% in H1

But deposits have been relatively robust year-on-year at 9.53%, up to September 27

OUR BUREAU

Mumbai, October 11

Credit growth in the first half of FY2020 lagged deposit growth, probably indicating risk aversion among banks.

According to the Reserve Bank of India's scheduled banks' statement of position in India, credit growth in the first half slowed to 8.74 per cent year-on-year (y-o-y) up to September 27, 2019, (vis-a-vis September 28, 2018) against 12.38 per cent year-on-year growth up to September 28, 2018.

Scan & Share

Deposit growth, however, has been relatively robust at 9.53 per cent y-o-y up to September 27, 2019, against 7.96 per cent y-o-y growth up to September 28, 2018.

That deposit growth is outstripping credit growth is underscored by the fact that in the reporting fortnight ended September 27, 2019, deposits grew by ₹1,85,564.89 crore, while credit expanded by ₹59,772.34 crore. "Interestingly, in the first half (April-September) of FY2019, despite rising interest scenario, credit had expanded by ₹1,65,200 crore but contracted by ₹93,700 crore in H1 FY2020.

"This indicates that credit risk aversion continues to play centerstage, particularly for the NBFC (non-banking finance company) sector. We must do a proper introspection for further reviving the NBFC sector," said Soumya Kanti Ghosh, Group Chief Economic Adviser, State Bank of India.

With deposit growth outstripping credit growth, banks stepped up deployment of surplus resources in central and statement government securities.

Investments in central and statement government securities saw a growth of 6.93 per cent y-o-y in the first half up to September 27, 2019, against 3.52 per cent y-o-y growth up to September 28, 2018.

The slashing of the repo rate by 135 basis points since February and the RBI's efforts to strengthen the transmission of monetary policy should support increased credit demand, said Moody's Investors Service

Negative outlook

India Ratings and Research (Ind-Ra), in a report, observed that it assigned a negative outlook on the mid and emerging corporate (MEC) universe, reflecting its concerns over liquidity pressures likely to be faced by them on account of a broad-based macroeconomic slowdown exacerbated by the subdued access to credit from the banking sector and constrained ability of NBFCs to lend to this segment.

"While bank credit to the MSMEs remained stagnant between FY15 and FY19, the proliferation of NBFCs enabled MSMEs (micro, small & medium enterprises) to mobilise loans in a timely manner. However, as liquidity challenges in the NBFC space continue unabated, MSMEs are likely to face challenges in tying up funds to bridge the expected funding gap in FY20," said Arindam Som, analyst, Ind-Ra

Referring to the Reserve Bank of India cutting the policy repo rate by a cumulative 135 basis points since February 2019, Moody's Investors Service said this, coupled with the central bank's efforts to strengthen the transmission of monetary policy to market interest rates (by directing banks to link their lending rates to policy rates), should support increased credit demand as authorities simultaneously work to alleviate stress in the NBFC sector.

RBI discusses regulatory framework of co-op banks

PRESS TRUST OF INDIA

Chandigarh, October 11

The RBI's central board, on Friday, discussed in detail the regulatory and supervisory architecture of commercial and cooperative banks against the backdrop of the ₹4,500-crore scam at PMC Bank.

The meeting of the central board, held in Chandigarh, came a day after Finance Minister Nirmala Sitharaman announced the setting up of a panel to recommend legislative changes to ensure better governance at cooperative banks.

Besides, the board reviewed the current economic situation, global as well as domestic challenges, and various areas of operation of the RBI. "In this context, the board also discussed in detail the current state of the financial sector with a special focus on the regulatory and supervisory architecture of commercial and cooperative banks and also NBFCs," the central bank said in a statement.

The NBFC sector has been facing liquidity woes and other headwinds for many months following the IL&FS fiasco last year.

The board, chaired by RBI Governor Shaktikanta Das, also discussed the role of payments banks and small finance banks in enhancing financial inclusion.

The annual activity reports of local boards, various subcommittees of the board, and functioning of a few central office departments, were also deliberated upon at the meeting.

A strategy sub-committee of the Central Board of Directors has been formed, the statement said.

RBI Deputy Governors NS Vishwanathan, BP Kanungo and Mahesh Kumar Jain attended the meeting.

Shagun Gogia backs YES Bank management team

Daughter of co-promoter 'excited' about the lender's prospects

SURABHI

Mumbai, October 11

Giving full support to the YES Bank management team, Shagun Gogia, daughter of late Ashok Kapur, the lender's co-promoter, said she is excited about the prospects of the bank.

Gogia, who was recently appointed as Non-Executive Non-Independent Director on the board of YES Bank and is part of the single largest shareholder group, said they are ready to dilute stake as and when required for a large investor as part of capital-raising. "I have only recently joined the board, but for me it is fantastic to see the energy and exuberance that the organisation has at this point of time," she told *BusinessLine*, adding that the bank has a professional management team in place.

"We are poised for transformational growth. The board and management have a strong unified vision," she said, adding that issues of the past have been left behind. YES Bank has been facing turbulence for the last one year when the Reserve Bank of India cut short the term of its former Managing Director and CEO Rana Kapoor. Ravneet Gill took over in place of Kapoor in March this year.

According to Gogia, the bank is poised for transformational growth

The private sector lender's share price has been under pressure for some time, and it is looking to raise capital, for which it has already received the go-ahead from the RBI. In August, the bank's board had approved a proposal to "raise growth capital" by increasing the authorised share capital of the bank to ₹1,100 crore from the current ₹800 crore. Gill had recently told *BusinessLine* that the bank is talking to three sets of investors — private equity, Indian family offices and strategic investors — and is likely to raise capital soon.

According to BSE data, as on June 30, Madhu Kapur held 7.56 per cent stake in YES Bank, while the family-owned company, Mags Finvest Private Ltd, held 1.61 per cent stake.

Gogia declined to comment on the capital-raising plans, but said: "As capital is needed to be infused, we will dilute accordingly to let investors to come in."

The YES Bank scrip closed 3.3 per cent lower at ₹39.60 apiece on the BSE on Friday.

Union Bank, Corp Bank, Andhra Bank heads address staff on merger process

OUR BUREAU

Mangaluru, October 11

The heads of Union Bank of India, Corporation Bank and Andhra Bank addressed customers and staff members in Bengaluru on Thursday following the Union Finance Ministry's announcement on August 30 to amalgamate the three banks.

A press release issued by Corporation Bank said here on Friday that the heads of the three banks informed the gathering about the upcoming amalgamation of Union Bank of India, Corporation Bank and Andhra Bank and the synergies that would arise out of this process.

It was announced that there are no immediate plans to close or merge branches. All care would be taken to cause minimal discomfort to customers, the heads of these banks said.

Presentations made on the occasion reaffirmed that the common core banking solution (CBS) platform will make the amalgamation process relatively smooth and that synergies would come from the pan-India presence, higher investments in technology and productivity.

Customers would benefit from the better and cost-effective products/service offerings and the digital initiatives that will be rolled out, the release added.

TPG move to sell stake in Shriram Capital put on hold over valuations

BLOOMBERG

October 11

TPG Capital has paused a sale of its stake in privately-held Indian financier Shriram Capital as the country's lingering NBFC crisis hurts valuations, according to people with knowledge of the matter.

The private equity's plan to sell its 10 per cent stake has been held back, and will likely resume only as soon as the next financial year starting in April, said one of the people, who asked not to be identified as the information is private.

In August, five foreign investors, including Blackstone Group and Carlyle Group, were shortlisted for talks to acquire a combined 30 per cent stake in Shriram Capital from Piramal Enterprises and TPG.

The sellers were seeking a valuation of $1.1 billion for the stake. The halt came as debt concerns spread at Indian lenders, including Indiabulls Housing Finance and a regional bank. Last week, the Reserve Bank of India had to reassure investors that the banking system is safe after depositors lined up to pull money from a small Mumbai-based bank.

Deliberations are ongoing, and TPG could restart a sale when appropriate, the people said.

A Mumbai-based representative for TPG declined to comment. A stake in Shriram Capital will give the buyer shares in publicly-traded units, Shriram Transport Finance Co and Shriram City Union Finance. Piramal Enterprises bought a 20 per cent stake in the holding company in 2014, while TPG has been an investor in Shriram Capital with a 10 per cent stake since 2011.

Mithun Sundar is new CEO at Lendingkart Fin

SANGEETHA CHENGAPPA

Bengaluru, October 11

Fintech start-up Lendingkart Technologies Private Limited has appointed Mithun Sundar as the new CEO of Lendingkart Finance Limited, the non-deposit taking NBFC arm of Lendingkart Group.

A senior industry leader, Sundar will join Lendingkart from Myntra.com, where he held the position of Chief Marketing and Revenue Officer.

In this role he focussed on co-developing and implementing tech-driven personalisation algorithms for driving growth operations, and launching experiments and delivering incremental revenue.

Valuation professionals should not resist change: IBBI chief

KR SRIVATS

New Delhi, October 11

Valuation professionals who are not registered with the insolvency regulator, Insolvency and Bankruptcy Board of India (IBBI), have been virtually put on notice, with its chairman MS Sahoo making it clear that they will not get a "free walk-in" to the new institutional framework that would be put in place in the coming days.

"We have successfully resisted reforms in valuation in the last 50 years. This is your last chance and, if you do not move, you will not get another chance," said Sahoo at the Global Valuation Summit 2019 in New Delhi on Friday .

"If you don't want any discipline, any regulation, but only enjoy the benefits, that will not work out. You have to give something if you want to take something."

IBBI is currently the nodal body for implementing the regulations for valuation professionals used by companies operating in India. There is already a framework where nearly 3,000 valuation professionals are registered with the IBBI as 'registered valuation professional', and there are also 11 registered valuation organisations.

However, there are thousands of other people who continue to practice as valuation professionals without getting themselves registered with the IBBI, and it is this set of people that Sahoo was referring to as those who are resisting the change. Later, Sahoo told *BusinessLine* that a section of people who have not registered themselves as 'registered valuer' (RV) want to simply move into the proposed institutional framework without being subjected to any tests or regulatory norms.

"A section of existing people, who are not RVs, are saying that they be registered without examination in the proposed new institutional framework. When the new framework comes, there must be some discipline and free walk-in will not be allowed. There has to be a process to comply. No point resisting change," said Sahoo.

Sahoo is the chairman of an eight-member expert panel set up by the government to examine the need for an institutional framework for regulation and development of valuation professionals.

This panel is expected to give its report in the next couple of months. The thinking in the government and the IBBI is to have a separate statutory framework for 'valuation professionals' on the lines of statutes governing chartered accountants, lawyers, and company secretaries.

Sahoo also stressed the need for continued professional education to ensure that valuation professionals remain relevant and are not replaced by machines.

Banks turn optimistic on outcome of Brexit deal

REUTERS

London, October 11

Major investment banks said on Friday they had become more optimistic on the prospects for a Brexit deal, following an upbeat meeting between the British and Irish leaders that buoyed the pound.

Irish Prime Minister Leo Varadkar, on Thursday, said that a withdrawal agreement could be clinched by the end of October, which would allow the United Kingdom to leave the European Union in an orderly fashion.

EU negotiator Michel Barnier and his British counterpart Stephen Barclay, meanwhile, held a "constructive" meeting on Friday, both the British and EU sides said.

The pound, British stocks, bonds, and Irish government bonds rallied, as investors scrambled to cover short positions, with the British currency hitting its highest levels in over three months. It was trading at $1.2622 at 1206 GMT. Deutsche Bank said it was no longer negative on the pound. "This represents a significant change of tune by the Irish government, that has so far been relatively pessimistic about the prospect of talks moving forward," Deutsche's foreign exchange strategist, Oliver Harvey, told clients. JPMorgan, meanwhile, predicted a deal would be struck, noting the two sides appeared to have found a solution to the thorny Irish border issue.

The bank now sees a 50 per cent chance of a withdrawal agreement being struck with a "modified/time-limited" Irish backstop. It had previously put the likelihood at just 5per cent.

Some remain doubtful. For one, time is short and any deal Johnson brings back from Brussels will need the British Parliament's approval, especially from hardline pro-Brexit factions. The government is, therefore, likely to request an extension to the Brexit deadline and then hold a general election, UBS Wealth Management said.