QUICKLY

YES Bank sells 6.56% stake in Fortis

Mumbai, October 14

YES Bank, on Monday, sold almost its entire stake amounting about 6.56 per cent stake in Fortis Healthcare through a bulk deal. Data with BSE revealed that the bank sold 4,95,19,990 shares in Fortis Healthcare at an average price of ₹130.27 apiece. The transaction value is estimated at close to ₹650 crore. The buyers included Eastspring Investments India Equity Open Ltd. "We would like to inform you that YES Bank has sold 5,10,99,265 equity shares having nominal value of ₹10 each, constituting 6.77 per cent of the paid-up share capital of Fortis Healthcare Limited as of June 30 in various tranches last being on October 14, resulting in a change in holding of the bank by more than 2 per cent of the total shareholding of FHL from the last disclosure made by the bank on June 10," it said in a regulatory filing. OUR BUREAU

Kirloskar Capital is now Arka Fincap

Mumbai, October 14

Kirloskar Capital, a wholly-owned subsidiary of Kirloskar Oil Engines and part of Kirloskar Group, has undergone a repositioning of its brand and changed its name to Arka Fincap Limited. Atul Kirloskar, Executive Chairman, Kirloskar Group, said the NBFC industry is at the cusp of new beginnings and holds tremendous untapped opportunities. "With the government stimulus measures and reforms, integration of technology and greater corporate governance, Arka Fincap is poised for growth based on its patient capital approach," said Kirloskar. OUR BUREAU

PSBs disburse ₹81,781 cr in nine days: FM

Govt plans a two-pronged approach to pump liquidity into cash-starved MSMEs

KR SRIVATS

New Delhi, October 14

In a matter of nine days, between October 1 and 9, public sector banks (PSBs) infused credit of ₹81,781 crore into the system in the first phase of the government's outreach programme, said Finance Minister Nirmala Sitharaman on Monday.

Of this, ₹34,342 crore went to new entrepreneurs, Sitharaman announced at a press conference after a review meeting with the chief executives of PSBs in New Delhi.

Later, replying to queries as to whether the ₹81.781 crore included the amount disbursed by NBFCs, which were also asked to participate in the outreach programme, Finance Secretary Rajiv Kumar said it pertains only to PSB disbursements. If one were to include the amount that went through NBFCs and Small Finance Banks, then the overall amount of credit infusion into the economy would be much higher.

Kumar also announced that the next phase of the outreach programme will be between October 21 and 25. It may be recalled that the Finance Minister had, in mid-September, announced an outreach programme in two phases involving PSBs and NBFCs to push liquidity into the hands of the credit needy in the 400 districts of the country.

Scan & Share

MSME liquidity

Meanwhile, the government, on Monday, came up with a two-pronged approach to pump liquidity into MSMEs facing crunch on account of delayed payments from large corporates.

Sitharaman advised banks to approach MSMEs and offer them the facility of bill discounting if they desire to opt for it. She also asked the Corporate Affairs Secretary Injeti Srinivas to write to large corporates in the MCA database that have an aggregate outstanding of ₹40,000 crore to MSMEs.

Finance Minister Nirmala Sitharaman addresses the media after a meeting with the heads of public sector banks, in New Delhi, on Monday PTI

Sitharaman said she has asked banks to get back to her by October 22 to update her on the response of MSMEs to the bill discounting facility. "We will ensure that MSMEs have sufficient liquidity ahead of Diwali," she said.

Injeti Srinivas, who was also present at the review meeting, said that the MCA would nudge large corporates to expedite their payments/dues to MSMEs.

Insolvency

Srinivas said that banks have conveyed that they would only be using the IBC process as the "last resort".

Suggestions were also made at today's meeting that a threshold limit should be introduced for triggering the IBC process so that a single person in a class of people (like homebuyers) does not misuse the facility.

Partial credit guarantee

At today's meeting with the Finance Minister, banks also made a case for allowing NBFCs with investment grade rating and also AA rating for their asset pool to be eligible to participate in the partial credit guarantee scheme.

There is no question of diluting the minimum AA rating specified for asset pools that are being purchased, but banks want even those NBFCs which don't have AA rating at the institutional level, but have investment grade rating, to be eligible for the scheme, said Sitharaman.

"We will have to take a call on this suggestion," said Sitharaman, when asked if the government was inclined to accept these suggestions.

So far, banks have sanctioned ₹15,455 crore under the partial credit guarantee scheme announced by the Finance Minister in the recent Budget, said Rajiv Kumar.

Expedite payments to customers of PMC: FM to RBI

KR SRIVATS

New Delhi, October 14

Finance Minister Nirmala Sitharaman, on Monday, urged the Reserve Bank of India Governor Shaktikanta Das to try and expedite payments to "genuinely suffering" customers of the crisis-ridden PMC Bank.

"Even this afternoon, I had a word with the RBI Governor on the PMC Bank matter. He has assured me that he will keep the interests of the customers in mind and, at the earliest, try to resolve it," Sitharaman told press persons after a review meeting with the chief executives of public sector banks.

The Enforcement Directorate has seized assets related to the promoters of the bank. "The government has been on its toes to ensure that the legal process does not slow down for want of assets. My appeal to the Governor was if there are adequate assets, is there a way in which the RBI can expedite paying customers who are genuinely suffering," she said.

Deposit insurance

Sitharaman made it clear that any move to increase the deposit insurance limit beyond ₹1 lakh would need Parliament's approval. As regards using the current deposit insurance limit of ₹1 lakh to pay off suffering customers, Sitharaman cited a technical point, highlighting that a ₹1 lakh deposit insurance could be invoked only when one treats the matter (PMC Bank) as a closed case and not as a "going concern."

"If the attempt is to keep it as a going concern, then you cannot invoke it (deposit insurance) and not give that ₹1 lakh. This is a hard technical fact. The attempt by the RBI is to see if it can be kept going and everybody's payment is made," said Sitharaman.

Deposit insurance cover for banks last revised 26 years ago to ₹1 lakh

SURABHI

Mumbai, October 14

Amid calls for increasing the deposit insurance cover for banks after the crisis at Punjab and Maharashtra Bank, official data show that the cap was hiked more than two decades ago, and this is, in fact, the most extended break in the revision of the cover.

The deposit insurance cover was last hiked with effect from May 1, 1993, to ₹1 lakh, from ₹30,000 in July 1980. Before that, the revisions were faster – ₹20,000 from January 1976, and ₹10,000 with effect from April 1970. And before that, a cover of ₹5,000 was provided, effective January 1, 1968. According to the annual report 2018-19 of the Deposit Insurance and Credit Guarantee Corporation, the insurance cover has been revised five times.

Under Section 16 of the DICGC Act 1961, the insurance cover was originally limited to ₹1,500 only per depositor for deposits held by him in "the same capacity and in the same right" at all the branches of a bank taken together.

Damodaran committee

The Damodaran Committee on Customer Services in Banks, which was set up by the Reserve Bank of India, in its report in 2011 had recommended a five-time increase in the cap to ₹5 lakh due to rising income levels and increasing size of individual bank deposits.

According to the 2018-19 report of the Deposit Insurance and Credit Guarantee Corp, insurance cover has been revised five times

It had also suggested that for sick banks, where the accounts have been frozen, there should be a way to enable the customer avail a part of their insured deposit till the final fate of a sick bank is decided.

Analysts point out that rising inflation has also impacted the value of cover. Average inflation is estimated above 6 per cent till 2014, and then at about 4 per cent.

"There has been quite a significant increase in inflation over this time period. So the nominal magnitude of the cover should be increased again to protect the real value of this ₹1 lakh set in 1993," said DK Srivastava, Chief Policy Adviser, EY India. A move to this end was planned in the Financial Resolution and Deposit Insurance Bill, which was later junked.

"It is not like the government has not been aware of the issue.

"It has been working on increasing the deposit insurance coverage for some time," noted a former government official.

Finance Minister Nirmala Sitharaman has indicated that the government may now look at reviewing the deposit insurance cover.

Last claim settlement

The DICGC last settled a claim in March this year, related to Uttar Pradesh-based Pioneer Urban Co-operative Bank.

The RBI had cancelled the licence of the bank in October 2016. It settled main claims of 28,382 depositors for ₹6.85 crore and released ₹3.45 crore.

Last fiscal, it settled aggregate claims worth ₹37 crore for 15 co-operative banks (six main claims and 21 supplementary claims).

It took an average 1,425 days in 2018-19 between deregistration of a bank and claim settlement, and about 11 days between receipt of a claim and claim settlement. This was 12 days in 2017-18.

Indian Bank to roll out portals seeking customers' views on merger with Allahabad Bank, says CEO

PRESS TRUST OF INDIA

Chennai, October 14

Public sector Indian Bank will soon roll out portals inviting customers to share their views on the merger with Allahabad Bank, a top official has said.

Indian Bank is to be amalgamated with Allahabad Bank under the Centre's move to merge various public sector banks.

A meeting was organised in Vijayawada recently following in-principle approvals from the respective boards of Indian Bank and Allahabad Bank.

Addressing the gathering, Indian Bank MD and CEO Padmaja Chunduru said the meeting was organised to create better understanding on the amalgamation process.

Both banks have a strong legacy, and they have been working on the same platform enabling comfortable migration of technology, she said.

"Very soon, separate customer portals would be provided to invite suggestions and views on the merger process," she said.

Padmaja Chunduru, MD and CEO, Indian Bank

HR integration

Following the merger, Chunduru said there will be an integration of human resources by way of organising joint trainings of employees of both the banks to understand the business models.

Effective utilisation of human resources will be taken care with domain experience for proper deployment, she said.

Noting that the best banking practices of both the banks will be taken for business growth, she said the benefits following the amalgamation will be available to customers through customised products and service offerings.

Allahabad Bank Executive Director K Ramachandran assured customers that the amalgamation process will be smooth and seamless without any discomfort.

The government had unveiled a mega plan to merge 10 public sector banks into four as part of plans to create fewer and stronger global-sized lenders, as it looks to boost economic growth.

Now, get real-time alerts on changes in your credit profile

OUR BUREAU

Mumbai, October 14

You can now get real-time alerts in case there is a significant change in your credit profile and rating. The feature has been launched by credit information company TransUnion CIBIL, where customers will get real-time notifications about key changes in their CIBIL score and report.

Called CIBIL Alerts, it is expected to help consumers stay in touch with their credit profile, and is part of CIBIL's suite of subscription plans.

"As 79 per cent of loans are disbursed to consumers with a high CIBIL score, this makes it important for them to build and maintain a high score by checking their credit profile regularly," said Sujata Ahlawat, TransUnion CIBIL's Head of Direct to Consumers Interactive.

The different types of CIBIL Alerts are for new enquiry added, new account added, change in utilisation, delinquency change, phone number added, and change in CIBIL scrore.

Fraud at PMC: ED attaches assets worth ₹3,830 crore

OUR BUREAU

New Delhi, October 14

The Enforcement Directorate has seized, frozen and identified movable and immovable assets worth ₹3,830 crore in the Punjab and Maharashtra Co-operative Bank (PMC) fraud case. The assets were owned by Housing Development and Infrastructure Ltd (HDIL), its directors and promoters, PMC Bank officials and other related entities, ED stated in a press release on Monday.

The Economic Offences Wing, Mumbai Police, in its first information report, alleged that Rakesh Wadhawan and Sarang Wadhawan of HDIL, and its group companies, conspiring with PMC Bank officials, Joy Thomas, Waryam Singh and others, availed loans in a fraudulent manner and cheated PMC Bank.

The total proceeds of the crime involved in this case have been determined at approximately ₹4,355 crore.

During search operations carried out in 10 premises, several incriminating documents, property documents, and movable properties were found. Scrutiny of the incriminating documents has revealed instances of siphoning off of funds and their misuse. For example, a loan of ₹98 crore from PMC Bank was diverted to M Estate Developers, a proprietorship concern of a close business associate of Rakesh Wadhawan.

The movable and immovable assets that have been seized and frozen till now include 10 cars, including a Rolls Royce, a Bentley, and a Range Rover seized from the residential premises of Rakesh Wadhawan, jewellery worth approximately ₹66 crore seized from various residential premises, including the residence of Meena Rohra, business associate of Rakesh Wadhawan.

Four vehicles, including an Audi, Fortuner, Innova and Scorpio, three Buggies, two Quadros (all-terrain bikes) and a speed boat were seized from a farm house at Awas, Alibaug.

RBI enhances withdrawal limit for PMC depositors to ₹40,000

OUR BUREAU

Mumbai, October 14

Providing further relief to the distressed depositors of the crisis hit PMC Bank, the Reserve Bank of India, on Monday, enhanced the limit of withdrawal to ₹40,000 of the total balance in their accounts from ₹25,000.

With this relaxation, about 77 per cent of the depositors of the bank will be able to withdraw their entire account balance, the RBI said in a statement. The RBI had placed the Mumbai-based bank under directions for six months with effect from the close of its business on September 23 on account of major financial irregularities, failure of internal control and systems of the bank, and wrong/under-reporting of its exposures under various off-site surveillance reports.

Initially, PMC Bank's depositors were allowed to withdraw only up to ₹1,000 of the total balance in their accounts. On September 26, this limit was increased to ₹10,000, and on October 3, this was further upped to ₹25,000.

The RBI said the financial position of the bank has been substantially impaired due to fraud perpetrated on it by certain persons. The central bank emphasised that as soon as the matter came to its notice, action was taken in appointing an administrator and ensuring that the bank's available resources are protected and not misused or diverted.

"Meanwhile, based on a complaint filed by the bank against its officials and borrowers associated with the fraud/financial irregularities in the bank and manipulation of its books of accounts, the Economic Offences Wing of Maharashtra police has started its investigations into the matter.

"Further, forensic auditors have been appointed by the administrator of the bank to look into the related transactions," the RBI said in a statement.

The central bank said the administrator and the three-member advisory committee appointed by the RBI are working for speedier resolution of the various issues being faced by the bank in conducting its operations.

RBI imposes penalty on LVB and Syndicate Bank

OUR BUREAU

Mumbai, October 14

The RBI has imposed a monetary penalty of ₹1 crore on Lakshmi Vilas Bank (LVB) and ₹75 lakh on Syndicate Bank. In the case of LVB, the RBI said the penalty has been imposed for non-compliance with certain provisions of directions issued by it on 'Income Recognition and Asset Classification (IRAC) norms'.

In the case of Syndicate Bank, the penalty has been imposed for non-compliance with the RBI's directions on (i) frauds classification and reporting and (ii) innovative housing loan products – upfront disbursal of housing loans.

The RBI said LVB's statutory inspection with reference to its financial position as on March 31, 2017, revealed, inter alia, non-compliance with directions issued by it on IRAC norms.

"Based on the inspection report, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for non-compliance with the directions.

"After considering the bank's reply to the notice and examination of additional submission, the RBI concluded that the aforesaid non-compliance warranted imposition of monetary penalty," the RBI said in a statement.

The RBI said the return on fraud filed by Syndicate Bank with it revealed that the bank had failed to comply with certain provisions of directions issued by it on fraud reporting and disbursal of housing loans.

In the case of both the banks, the RBI said its action is based on the deficiencies in regulatory compliance, and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers.

Syndicate Bank is in the midst of an amalgamation with Canara Bank.

Why investors have good reasons to be optimistic about HDFC Bank

ANALYSIS

BLOOMBERG

October 14

All around HDFC Bank, India's biggest lender by market value, the news seems to be bad and getting worse: economic growth is slowing, loan losses are rising and non-banking financial companies (NBFCs) are mired in crisis.

And yet investors keep piling into HDFC Bank's stock, convinced it will emerge a winner from India's financial woes. The company's market value has surged by $21 billion over the past year, more than any other bank worldwide. Among the 25 biggest lenders globally, no other stock commands a higher price relative to earnings or net assets.

Bulls say they have good reasons to be optimistic: HDFC Bank will grab market share from embattled NBFCs and benefit from a flight to quality by investors who have grown wary of smaller competitors. While sceptics argue that the bank is vulnerable to India's economic challenges – pointing to its large consumer loan exposure and the looming retirement of its long-time leader – even they say betting against HDFC Bank is risky. Among 54 analysts who cover the stock, only one has the equivalent of a sell rating.

"The business continues to perform very well," said Nick Payne, the London-based head of global emerging markets at Merian Global Investors (UK), which oversees about $33 billion and has been adding to its holdings of HDFC Bank shares. Strong banks and franchises tend to get stronger when times get tough, as the weak fall by the wayside.

India's NBFCs, until recently a growing competitive threat to HDFC Bank and its peers, have been reeling since the latter half of 2018, when a group company of IL&FS defaulted on its debt and triggered an industry-wide credit squeeze. Mortgage lender Dewan Housing Finance Corp (DHFL) has missed debt payments since June, while firms, including Reliance Capital and Piramal Capital & Housing Finance, have had their credit ratings cut on liquidity concerns.

Solid growth The bank's market value has surged by $21 billion over the past year, more than any other lender worldwide

The turmoil has come against a backdrop of five straight quarters of slowing economic growth, the highest unemployment rate in 45 years, and predictions that bad loans at Indian banks will jump to a record 12 per cent by early next year.

All the while, HDFC Bank's stock price has marched higher. Now valued at $92 billion, the company trades 24 times its projected earnings over the next 12 months. That is almost three times more expensive than the Bloomberg World Bank's Index, within a hair's breadth of the biggest valuation premium on record. The company's price-to-book ratio of 4.3 compares with 1.5 at JPMorgan Chase & Co, the biggest US lender by market capitalisation. Not everyone is convinced the outsized gains will continue. Gautam Chhugani, an analyst at Sanford C Bernstein & Co, downgraded HDFC Bank to market perform from outperform on September 9. He cited succession risks around next year's planned departure of Aditya Puri, who has led the company since 1994, as well as the potential for deteriorating asset quality in the bank's ₹4.43-lakh crore ($62.5 billion) retail lending portfolio.

Economic growth

While HDFC Bank has said loan losses in its retail business have been stable and within expectations, that could change if India's economic growth and employment trends continue to worsen.

"Retail credit costs are unlikely to remain benign over the medium term," said Chhugani. HDFC Bank did not respond to a request for comment. Optimists draw comfort from the firm's nearly unmatched track record of keeping loan losses in check throughout multiple economic cycles. HDFC Bank's per-share book value has grown at a compound annual rate of more than 20 per cent over the past decade, while its gross non-performing loan ratio of 1.4 per cent at the end of June was the lowest among Indian peers.

HDFC Bank may report strong profit growth and stable asset quality for the quarter ended September, Diksha Gera, an analyst at Bloomberg Intelligence, wrote in a report. "As shadow lenders retrench, the bank will pick up market share," said Ross Cameron, the head of Northcape Capital Ltd's Japan office.