

Book release Prime Minister Narendra Modi, flanked by Tata Sons Chairman Emeritus Ratan Tata (right) and the company's Chairman N Chandrasekaran, unveiling the book 'Bridgital Nation', in New Delhi on Sunday PTI

FPIs pour in ₹5,072 cr in October

New Delhi, October 20

Foreign portfolio investors (FPIs) have infused a net sum of ₹5,072 crore into the Indian capital markets in October so far. In the preceding month, FPIs had invested a net ₹6.557.8 crore in the domestic capital markets (both equity and debt). This came following net outflows in July and August. As per the latest depositories data, foreign investors put in a net sum of ₹4,970 crore in equities and a net ₹102 crore in the debt market during October 1-18. Umesh Mehta, head of research at Samco Securities, said, "The worst seems to be behind us and markets have started to discount the forward looking Budget and revival of consumption." PTI

Non-scheduled urban co-op banks want provisioning norms eased

These banks fear their deposits in PMC Bank will turn into non-performing investments

It is not just the depositors of the crisis hit Punjab and Maharashtra Co-operative (PMC) Bank who are seeking succour from the Reserve Bank of India.

Over 100 non-scheduled urban co-operative banks (NSUCBs) too Scan & Share

want the RBI to alleviate the provisioning burden they will face in the event of their bulk deposits with this bank becoming non-performing due to non-receipt of interest or principal or

both. Fearing the impact on their bottomline, while some of the aforementioned banks are seeking waiver from provisioning if

the principal (deposit) is not received (they are ready to make

provisioning towards non-receipt of interest), others want the provisioning to be spread over a few quarters.

Following the massive loan fraud at PMC Bank, NSUCBs with deposits in this bank are now staring at the possibility of their

deposits turning into non-performing investments.

NSUCBs can place deposits with scheduled UCBs (SUCBs) such as PMC Bank up to 5 per cent of their total liabilities as on March 31 of the previous year.

Due to attractive interest rates offered by SUCBs, NSUCBs tend to place deposits with them. Vinayak Y Tarale, Expert Dir-

ector, Maharastra State Co-oper-Banks' Association (MSCBA), said as per the informa-

tion he has received so far from the Association's memberbanks, about 39 banks have deposits aggregating ₹252 crore with PMC Bank. While two are loss making, the profit of the remaining 37 banks put together is

"So, if these banks don't get their money back, their entire profit will get wiped out. They will become weak.

"If the banks don't receive quarterly interest on the deposits and the principal back on maturity then they will have to make 100 per cent provisioning," said Tarale.

MSCBA has suggested to the RBI that it should exempt NSUCBs with deposits with PMC Bank from provisioning at least on the principal amount if it is not received on maturity.

Plea to Finance Minister

Satish Marathe, Founder Member of Sahakar Bharati and Director on RBI's Central Board, has

About 39 banks have deposits aggregating ₹252 crore with PMC Bank. While two of these lenders are loss making, the profit of the remaining 37 banks put together is ₹232 crore

urged Finance Minister Nirmala Sitharaman to give UCBs sufficient time to make provisions depending upon their profitability for the last three years.

When a bank, with paid-up capital and reserves of an aggregate value of not less than ₹5 lakh, and satisfies the RBI that its affairs are not being conducted in a manner detrimental to the interests of its depositors, is included in the Second Schedule to the RBI Act, 1934, it is classified as a 'Scheduled Bank'. A bank not included in the Second Schedule to the RBI Act, 1934, is classified as a 'Non-Scheduled Bank'.

SVC Bank scotches rumours of merger with PMC Bank

OUR BUREAU

Mumbai, October 20 The SVC Co-operative Bank has denied reports of merger with the crisis-hit Puniab and Maharashtra Co-operative (PMC) Bank.

"We have come across a rumour on social media platforms about a merger between us and PMC Bank. We request everyone not to pay heed to such false and baseless statements," the Bank said in a notice to its customers and shareholders.

The bank, which was earlier known as The Shamrao Vithal Cooperative Bank, emphasised that it is committed to protect the interests of its depositors, shareholders and stakeholders. It added that it will take strong action against people spreading such rumours.

As at March-end 2019, Mumbaibased SVC Bank, had deposits and advances of ₹16,264 crore and ₹11,500 crore, respectively.

Mumbai-based PMC Bank was placed under Directions for six months by the Reserve Bank of India with effect from the close of its business on September 23, 2019.

The central bank said directions for PMC Bank were necessitated due to 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 that came to the Reserve

Bank's notice recently. PMC Bank reportedly has a very large single party exposure of about ₹6,500 crore (accounting for about 73 per cent of its total loans) to the bankrupt HDIL group. The group is understood to have not serviced the loans for the last couple of years.

Depositors of PMC Bank have been having a harrowing time since the imposition of the Directions as they can withdraw only up to ₹40,000 during the six month Direction period. They have taken to the streets demanding RBI and the government's intervention in getting their deposits back.

About four depositors lost their lives due to the shock that their entire life savings are locked up in the bank and there is no assurance from the authorities about the safety of their deposits.

India-US trade talks in full swing: Sitharaman

PRESS TRUST OF INDIA

Washington, October 20 Finance Minister

Nirmala Sitharaman has said the negotiations between India and the US on a trade deal are going in "full speed" and expressed hope that an agreement will be structured soon.

The ongoing trade deal negotiations briefly came up for discussion during a pull aside between Sitharaman and US Treasury Secretary Steven Mnuchin at the IMF headquarters. Mnuchin is scheduled to visit India early next month.

"In fact, I broadly mentioned it to Secretary Mnuchin, but that is something on which the Commerce Minister and Mr (Robert) Lighthizer (US Trade Representatives) are working. My inputs are that the negotiations are going in full speed and there's a great intensity with which both sides are engaging and hopefully the deal will be structured soon." Sithara-



Finance Minister Nirmala Sitharaman with (from left) Comoros' Finance Minister Said Ali Chayhane, Germany's Finance Minister Olaf Scholz and Japan's Finance Minister Taro Aso at the IMF and World Bank 2019 Annual Meetings in Washington REUTERS

man said on Saturday.

India is demanding exemption from high duties imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic products under their Generalised System of Preferences (GSP), greater market access for its products from sectors, including agriculture, automobile, auto components and engineering.

On the other hand, the US wants greater market access for its farm and manufacturing products, dairy items and medical devices, and cut on import duties on some ICT products. The US has also raised concerns over high trade deficit with

Responding to a question, Sitharaman said a totalisation agreement with the US has always been on the cards.

A totalisation agreement seeks to eliminate dual taxation with regards to social security and medicare taxes in the US. An official release issued said Sitharaman had a "fruitful" dia-

Attracting investments

logue with Mnuchin.

Sitharaman said she will prepare a blueprint for international companies that are looking beyond China to make India as their preferred investment destination.

She said industry leaders who are contemplating getting their businesses out of China are "definitely considering India as the pitch".

Therefore, she said, it might be important for the government to now see and meet up with a lot of industry leaders and invite them to India

Centre may revamp flagship insurance schemes PMIJBY and PMSBY may see increased

cover, higher premium charges

SURABHI

With the Centre's flagship insurance schemes for life and accidental death and disability set to complete five years in 2020, the government is looking at increasing the risk cover and premium

Sources close to the development said that Centre could hike the ₹2 lakh cover it provides under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) from next financial year.

This could also be coupled with the long pending request for an increase in the premium amount

"The schemes are doing ex-

ceptionally well. Over the last few years, beneficiaries are also becoming more aware about the benefits of insurance and some are realising that the ₹2 lakh cover is not sufficient," noted a person aware of the development.

While there have been initial discussions on the issue in the government a formal proposal and decision are yet to be taken.

"Premium for this year is already paid. The decision will now have to be taken for 2020-21, which is still some time away," noted the person. The cover period for subscribers is between June 1 and May 31 of the next year.

Another source pointed out that with the scheme set to complete five years, the

government could possibly look at revamping it.

Premium hike

Coupled with it, insurers are also hopeful that their long pending demand for an increase in premium charges will also be finally agreed

"Costs have increased over the last four years but premium remains the same. We are optimistic that this issue will also be revisited," noted an executive with an insurance company.

Launched on May 9, 2015, PMSBY gives a one year one year accidental death-cumdisability cover of ₹2 lakh to all subscribing bank account holders between the age of 18 and 70 years at a premium of ₹12 annually per subscriber. PMJJBY, was also launched

along with it offers a renewable one-year term life cover of ₹2 lakh to all subscribing the last few years, beneficiaries are also becoming more aware of the benefits of insurance and some are realising that the ₹2 lakh cover is not sufficient."

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age group of 18 years and 50 years for death due to any reason, for a premium an annual premium of ₹330 per subscriber. PMSBY has about 16.6 crore

subscribers as on date and has received 45,615 claims of which 35,119 claims have been disbursed. Similarly, PMJJBY has 6.32

crore subscribers. It has received 1.63 lakh claims and has disbursed 1.49 lakh of them as on October 11 this

ports. "The triggers for impos-

ing the safeguard duty should

not be so stringent that it can't

be activated when required,"

New Delhi is also trying its

Textile industry panel urges Centre | India tries to untangle RCEP knot ahead of Leaders Summit on Nov 4 to ban import of used clothes

OUR BUREAU

Mumbai, October 20 The newly formed National Committee on Textiles and Clothing has urged the government to stop the import of used from clothes China, Bangladesh and Indonesia as the domestic textile industry is reeling under falling exports, rising imports and slowing demand.

The committee has also sought adequate safeguard measures on imports of fibres, varns, fabrics and readymade garments and called for extending the benefits of enhanced Merchandise Exports under India Scheme and Rebate of State and Central Taxes and Levies on Export of Garments till overall scheme on Remission of Duties or Taxes on Export Product comes into force.

Bogged down by various issues, textile and clothing associations such as Cotton Textile Export Promotion Council, Apparel Export Promotion Coun-

cil, Clothing Manufacturers Association of India, Synthetic and Rayon Textiles Export Promotion Council and Confederation of Indian Textile Industry have formed a steering committee – the National Committee on Textiles and Clothing (NCTC) — under the chairmanship of T Rajkumar, Chairman, The NCTC has submitted a

memorandum to Commerce Minister Piyush Goyal and sought a two-year moratorium on interest and loan repayment or provision for additional liquidity to support the financially stressed textile units as a short-term policy measure to bail out the struggling industry. The industry also apprised Goyal of the issues related to GST, the ease of doing business and Regional Comprehensive Economic Partnership

It has urged Cotton Corporation of India to factor in low international prices when procuring cotton under Minimum Support Price to protect the farmers' interests. Domestic prices are ruling firm due to high MSP while prices in the global markets have fallen sharply on the back of a bumper crop. This has led to sharp spike in imports even as some domestic farmers are finding it difficult to sell their cotton at MSP to CCL.

Plea to FM

A NCTC delegation also met Finance Minister Nirmala Sitharaman and submitted a memorandum on the urgent need to release the pending claims under various incentive schemes; urging banks to expeditiously upload documents for release of TUF (Technology Upgradation Fund) subsidy, reducing the margin money for raising working capital from 25 per cent to 10 per cent and extend 5 per cent interest subvention to all textiles and clothing export products.

At the ongoing Bangkok meet, New Delhi trying to safeguard industry,

farmers' interest

AMITI SEN

New Delhi, October 20 Indian negotiators are in Bangkok trying to insert crucial provisions in the proposed Regional Comprehensive Economic Partnership (RCEP) pact, including adequate protection against cheap Chinese imports, that could make the proposed deal less threatening and more acceptable for Indian industry and agriculture, a government official has

"Negotiators from the 16 nations, including India, China and the ASEAN, have time only till Tuesday to sort out differences in difficult areas such as rules of origin (ROO), investment measures, e-commerce and auto trigger mechanism. After the deadline, the remaining matters will be placed before the Heads of States at the RCEP Leaders Summit on November 4. If big differences remain, it will be difficult for India to be part of the joint announcement for conclusion of the negotiations," the official

New Delhi is finding it difficult to accept the onerous obligations of the RCEP, which requires it to take on commitments for tariff elimination for about 90 per cent items from the ASEAN, Japan and South Korea and over 74 per cent from China (China is pushing for over 80 per cent), Australia and New Zealand, without adequate safeguards.

For instance, the ROO (which lay down the compulsory minimum value enhancement to a product to be carried out in the exporting country), in its current form under the RCEP, allow the value addition to take place in any RCEP country and not necessarily within the territory of the exporting members. This means that if a particular commodity is al-



A file picture of farmers protesting against the RCEP deal AFP

lowed into India from an ASEAN country under RCEP at zero duty but not from China because of a tariff differential that India insists on to protect against Chinese imports, the Chinese product can enter the Indian market through an ASEAN country at zero duty by qualifying as ASEAN export as value added in China will be considered valid.

"India is fighting to make the ROO tight so that China gets excluded from the cumulation provision. Only then the tariff differentials against the country will have some meaning and protect Indian in-

dustry," the official said. Auto-trigger mechanism

Similarly, Indian negotiators want a larger number of sensitive items to qualify for auto trigger mechanism that will allow imposition of higher import duties automatically when imports cross a threshold limit.

However, trade experts point out that the trigger for the safeguard duties should

also be well-defined and serve

the required purpose of stop-

ping a sudden increase in im-

best to keep the Investor State Dispute Mechanism outside the purview of the RCEP so that the Indian government can

the official said.

tional suits filed by large foreign companies. Almost all sectors of the Indian industry ranging from automobiles to chemicals as well as small farmers have sought protection from Commerce and Industry Minister Piyush Goyal against unhindered competition from RCEP countries which, they

protect itself against interna-

to them The RCEP could result in the creation of the largest trade bloc in the world accounting for 39 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment flows and 45 per cent of the total population.

say, will cause serious damage

Other income helps HDFC Bank post 27 per cent rise in Q2 profit

Overall loan growth healthy. but retail uptake disappoints

Q2 COMMENT

RADHIKA MERWIN BL Research Bureau

Amid a challenging environment and persisting stress reported by peers, HDFC Bank managed to put up a steady performance in the September quarter.

In fact, after delivering a net profit growth of 20-22 per cent in the previous four sector bank reported a strong 27 per cent growth in net profit in the September quarter. While this, and the fact that the bank has maintained a stable asset quality, is sure to cheer investors, there may be some less obvious trends that need a watch.

For one, the boost in net profit can be credited to the robust growth in the other income component.

Besides the healthy growth in fee income, other income was also aided by a gain on sale/revaluation of investments in the September quarter, as against a loss in the same quarter last year. But for the boost from the

quarters, the leading private other income component, the significant moderation in growth in the bank's core net interest income could have impacted earnings. What also drove net profit was the substantial reduction in the effective tax rate in the latest September quarter (29.5 per cent), vis-àvis last year (34.6 per cent).

A sharp slowdown in retail loan growth, fall in net interest margin and a notable shift in the retail:wholesale loan mix – are other key trends that may need to be monitored in the coming quarters.

Nonetheless, given the happenings in the banking



Slowing retail loans is causing concern

sector, HDFC Bank's steady asset quality performance and better earnings visibility, are likely to drive the stock's premium valuations in the medium term.

Retail loan growth slows After delivering sub-20 per cent loan growth in FY17 and FY18, HDFC Bank had managed a 24 per cent loan growth in the FY19 fiscal.

The growth was backed by strong uptick in corporate loan growth, even as retail growth slowed considerably.

In the June quarter of the current fiscal (FY20), the bank's loan growth moderated significantly to 18 per cent, with sharp slowdown in retail credit off-take. In the latest September quarter, the

higher overall loan growth of 20.7 per cent (domestic). But this was led by robust growth of 28 per cent in corporate loans, while the growth in retail loans continued to mod-

bank managed to report a

erate significantly. In FY19, the bank had delivered 19 per cent growth in retail loans (down from 27 per cent in FY18). Over the past two quarters, the retail loan growth has slowed down further — 16.5 per cent in the June quarter to 14.7 per cent in the latest September quarter.

The slowdown in retail loans has been led by segments such as auto (flat), two wheeler (1.7 per cent YoY growth), CV/construction equipment (11.7 per cent) and

Kisan Gold Cards (8 per cent). The slowdown in highyielding retail loans and fall in lending rates could likely have led to HDFC Bank's net interest margin falling to 4.2 per cent in the September quarter, from 4.3 per cent in the previous June quarter. The bank's retail:wholesale mix stands at 52:48, a significant deviation from the past few quarters' trend of 54:46.

However, the steady fall in the bank's cost to income ratio is a positive – from 44.3 per cent levels in FY16, cost to income has been steadily falling for the bank. In the September quarter it stood at 38.8 per cent, aiding margins.

Asset quality

For HDFC Bank, a healthy growth in loans, has kept the delinquency ratio low, despite rise in bad loans in absolute terms. While the bank's gross non-performing assets (GNPAs), has been growing at 20-30 per cent (YoY) in the past few quarters, good growth in loans has kept GNPA ratio low.

As of September quarter, the bank's GNPA ratio was a low 1.38 per cent. But the bank has been facing stress in its Agri portfolio.