

## QUICKLY

**Rupee rises 20 paise versus dollar**

Mumbai, October 22

The rupee, on Tuesday, rose to a two-week high against the US dollar on hopes of a partial trade deal between the US and China next month. The domestic currency closed at 70.94 to the dollar, a gain of 20 paise, or 0.28 per cent, over the previous close on Friday. The US dollar index was up 0.13 per cent at 97.45. **PTI**

**OBC profit up 24% at ₹127 crore**

New Delhi, October 22

Oriental Bank of Commerce (OBC) has reported a 24.5 per cent increase in net profit for the second quarter ended September 2019 at ₹127 crore (₹102 crore). This bottomline performance for the quarter under review was higher than the net profit of ₹113 crore recorded in the quarter ended March 31, 2019. **OUR BUREAU**

**RBI starts hunt for new IDRBT director**

Hyderabad, October 22

The RBI has started searching for a new director at the Institute for Development and Research in Banking Technology (IDRBT). Interested candidates should not be more than 62 years of age as on January 1, 2020. The applicant should have a PhD in the relevant area from a reputed university and have a right mix of administrative, banking and IT qualifications. The appointment of the director will be on contract basis with an initial term of three years, extendable up to five years, based on review of performance and feedback, or attaining the age of 65 years, whichever is earlier. **OUR BUREAU**

## Axis Bank posts ₹112-cr loss on one-time tax impact

**OUR BUREAU**

Mumbai, October 22

Private sector lender Axis Bank, on Tuesday, reported a net loss of ₹112.08 crore in the second quarter of the fiscal due to one-time adjustment of deferred tax assets, as it chose to take the benefit of the reduction in corporate tax rates.

It had posted a net profit of ₹789.61 crore in the July to September 2018 quarter. "Net loss of ₹112 crore for the quarter, driven by a one-time tax impact of ₹2,138 crore due to changes in corporate tax rate. Excluding this extraordinary item, profit after tax would have been ₹2,026 crore, up 157 per cent year-on-year," Axis Bank said in a release on Tuesday.

**Total income**

The bank's total income grew by a robust 21.1 per cent to ₹19,333.57 crore in the second quarter of the year from ₹15,959.37 crore a year ago. Net interest income increased 17 per cent annually to ₹6,102 crore in the quarter under review. Net interest margin at 3.51 per cent was

the highest in nine quarters. Other income shot up by 45.4 per cent to ₹3,895.77 crore in the quarter ended September 30, 2019. Fee income also increased by 11 per cent year-on-year, led by retail fees that increased by 16 per cent.

Provisions increased by 20 per cent to ₹3,518.39 crore in the second quarter of the year. Provision Coverage Ratio of the bank improved to 79 per cent from 78 per cent. "The bank also holds ₹2,600 crore of provisions towards various contingencies," it said.

The bank's asset quality also saw improvement.

Gross non-performing assets fell to ₹19,071.97 crore by the end of the second quarter from ₹30,938.33 crore a year ago. Net non-performing assets were also lower at ₹11,138.30 crore as on September 30, 2019, from ₹12,715.71 crore a year ago. GNPA and NNPA ratios were 5.03 per cent and 1.99 per cent at the end of the second quarter in 2019-20, compared to 5.96 per cent and 2.54 per cent on September 30, 2018. The Axis Bank scrip closed 0.49 per cent higher at ₹712.70 apiece on the BSE.

## Core performance healthy, but need to watch for slippages

**Q2 COMMENT****RADHIKA MERWIN**

BL Research Bureau

Strong growth in retail loans, improvement in net interest margin, and stable gross non-performing assets (GNPA) ratio sum up the positives of Axis Bank's September quarter results.

While the healthy performance on the core business front is good news, still elevated slippages, write-offs, and notable stressed book (BB and below-rated book) are aspects that need to be monitored in the coming quarters.

The bank reported a loss of ₹112 crore in the September quarter, owing to a one-time impact on deferred tax assets (DTA) write-off.

Following the change in corporate tax rate, the bank has re-measured the balance of net DTA, resulting in a write-off of ₹2,138 crore, which the bank has fully charged to the P&L account

in the September quarter. A key positive in Axis Bank's performance in recent quarters has been its gradual pick-up in core net interest income (NII). After the 21 per cent growth in NII in the March quarter, the growth has moderated somewhat but remains healthy.

In the latest September quarter, the bank reported a 17 per cent growth in NII, thanks to 19 per cent growth in domestic loans, led by 23 per cent increase in retail loans.

Corporate loan book grew by 7 per cent, while growth in SME loans was modest at 2 per cent.

Axis Bank has been able to improve its net interest margin (NIM) in a falling rate environment, which is a key positive. From 3.56 per cent in the June quarter, domestic NIM improved to 3.63 per cent in the September quarter.

A higher spread and lower interest reversal has led to the sequential improvement in NIM.

What is important is the fact that low-cost CASA (current and



savings account) deposits for the bank, as a proportion of total deposits, has fallen significantly to 41 per cent from 48 per cent last year. While the bank's retail term deposit growth has been strong, there has been a rise in cost of deposits in the first half of the current fiscal (from 5.1 per cent in FY19 to 5.36 per cent as of September).

A high loan-to-deposit ratio of 89 per cent is possibly limiting the bank's ability to lower deposit rates. How far the bank is able to maintain its NIM, after the introduction of repo-linked loans effective October 1, needs to be seen in the coming quarters.

While the gross NPA figure in absolute terms has been stable at ₹29,071 crore in the Septem-

ber quarter (₹29,405 crore in the June quarter), the bank has reported higher slippages.

The bank's gross slippages, which had fallen to ₹3,012 crore in the March quarter, inched up to ₹4,798 crore in the June quarter and further to ₹4,983 crore in the latest September quarter. There has also been a substantial write-off to the tune of ₹3,104 crore (rather than recovery).

While the chunk of corporate slippages of ₹2,862 crore (97 per cent) in the September quarter have come from the BB and below-rated book, there appears to be some addition (about ₹1,500 crore) to the stressed pool. This may need monitoring in the coming quarters.

There have also been gross slippages in the retail loan book to the tune of ₹1,355 crore and from SME book of ₹766 crore. The share of retail and SME loans have gone up significantly since 2013—from 43 per cent in FY13 to 64 per cent in the latest September quarter.

## Kotak Mahindra Bank Q2 net profit surges 51%

**OUR BUREAU**

Mumbai, October 22

Private sector lender Kotak Mahindra Bank registered a 51 per cent increase in net profit in the second quarter of the fiscal, led by strong growth in interest income.

The bank's standalone net profit stood at ₹1,724.48 crore in the quarter ended September 30, 2019, against ₹1,141.65 crore in the same period a year ago.

The total income of the bank jumped 13.8 per cent to ₹7,986.01 crore for the July to September 2019 quarter, when compared to ₹7,016.17 crore in the same period a year ago.

Net interest income for the

second quarter this fiscal increased 25 per cent to ₹3,350 crore from ₹2,676 crore a year ago. Net interest margin for the second quarter this fiscal was 4.61 per cent, up from 4.19 per cent in the corresponding period a year ago.

Other income was almost flat at ₹1,224.41 crore in the second quarter of the fiscal from a year ago.

**Corporate tax cut**

The private sector lender has also taken the benefit of the lower corporate tax rate. "The bank has recognised provision for income tax for the six months ended September 30, 2019, and re-measured its de-



ferred tax assets basis the rate prescribed..." it said in the regulatory filing.

Its tax expense was lower at ₹376.15 crore in the quarter under review from ₹599.52 crore a year ago. The bank's provisions rose 15.3 per cent to ₹407.93 crore in the second quarter, when compared to ₹353.80 crore.

Asset quality saw some pressure. Gross non-perform-

ing assets rose by nearly 25 per cent to ₹5,033.55 crore for the second quarter of the fiscal, or 2.32 per cent of gross advances. It was ₹4,033.07 crore, or 2.15 per cent as on September 30, 2018.

Net NPAs also rose to ₹1,811.40 crore from ₹1,500.76 crore in the second quarter of 2018-19. As on September 30, 2019, net NPAs amounted to 0.85 per cent of net advances, up from 0.81 per cent a year ago.

Advances as on September 30, 2019, were up 15 per cent to ₹2,13,299 crore. Average savings deposits grew by 20 per cent to ₹80,425 crore, and average current account

deposits grew by 22 per cent to ₹33,216 crore by the end of the second quarter this fiscal.

**New branch at DIFC**

"To augment its footprint in the international arena, Kotak Mahindra Bank has launched its very first overseas branch at the Dubai International Financial Centre (DIFC), Dubai, after receiving due regulatory approvals," the bank said in a statement on Tuesday, adding that as on September 30, 2019, the bank has a network of 1,512 full-fledged branches and 2,429 ATMs.

The bank's scrip gained 0.78 per cent and closed at ₹1,628 apiece on the BSE.

## RBL Bank's Q2 profit tanks 73% on higher provisioning

**OUR BUREAU**

Mumbai, October 22

RBL Bank's net profit fell by over 73 per cent in the second quarter of the fiscal as provisions shot up by 280 per cent and bad loans increased.

For the quarter ended September 30, 2019, the private sector lender posted a net profit of ₹54.31 crore, against ₹204.54 crore in the corresponding period a year ago.

RBL Bank's net interest income rose by a robust 47 per cent to ₹868.7 crore in the second quarter of the fiscal, against ₹593 crore a year ago. Net interest margin was a tad

higher at 4.35 per cent in the second quarter of the fiscal from 4.33 per cent a year ago.

The bank's other income also grew a healthy 33 per cent in the July to September 2019 quarter to ₹441.5 crore from ₹333.11 crore in the corresponding period a year ago.

However, provisions shot up sharply to ₹533.30 crore in the second quarter of the fiscal from ₹139.68 crore a year ago.

Vishwawir Ahuja, Managing Director and CEO, RBL Bank, said: "As we had highlighted a few months ago, given the difficult corporate credit environment, we have faced challenges

in a few corporate accounts. As a matter of prudence, we have taken higher-than-required provisions on these accounts, which has impacted our bottom line."

He also expressed confidence that the bank will return to normalised earnings trajectory by the end of the fiscal year.

The board of directors of the bank also appointed Veena Mankar as Non-Executive (additional) Director and Amrut Palan as Chief Financial Officer with immediate effect.

The RBL Bank scrip closed 2.84 per cent lower at ₹286.90 apiece on the BSE.

## IRDAI imposes ₹1-cr penalty on Cholamandalam

**OUR BUREAU**

Hyderabad, October 22

The IRDAI has imposed a penalty of ₹1.01 crore on Cholamandalam MS GIC Ltd. The penalty was imposed on the basis of irregularities found in an on-site inspection conducted between March 14 and 24, 2017, said Subhash C Khuntia, Chairman, IRDAI, in order issued on Tuesday.

The penalty was imposed after examination of many charges, including the violation of outsourcing norms, violations of norms in paying commissions, and non-compliance to regulations up to November 2018, even after the matter was brought to the notice of the insurer.

## PMC depositors present 19-point charter of demands to RBI

**OUR BUREAU**

Mumbai, October 22

An informal delegation of about 10 depositors of Punjab and Maharashtra Co-operative Bank (PMC Bank) met senior Reserve Bank of India officials, including the Executive Director dealing with urban co-operative banks, to present a 19-point charter of demands, including seeking easing of withdrawal cap in case of health issues, marriage, education, payment of tax, society expenses, and revival package.

The RBI officials are believed to have told the delegation that they will revert on the demands raised by them in a week or so either through a press conference or press release.

"It has been one month



PMC depositors stage a protest at Azad Maidan in Mumbai on Tuesday, supported by gurdwaras in the city. **PAUL NORONHA**

since the RBI put PMC Bank under directions. We are running here and there, demonstrating everyday to get back our hard-earned money. We told them it is high time they told us a time-frame for resolving

the issues being faced by us. The RBI said they would hold a press conference (in a week's time). We have given them an ultimatum of October 30. We (16 lakh depositors) will not celebrate Diwali as a

mark of protest," said a delegation member. For revival package, the RBI should speak to the government to decide on the quantum of funds needed for revival/ merger with another bank, said the member.

The delegation also demanded that families of the six depositors, who died in the wake of their inability to withdraw money from the bank, should be given ₹25 lakh compensation each from any fund - contingency fund or relief fund.

According to hotelier Amardeep Tony Singh, the restrictions imposed by the RBI on withdrawal of depositors' funds/ money in PMC Bank, have severely impacted them. Businesses are being forced to

shut shop, educational and charitable institutions are finding it difficult to function, and ordinary citizens are unable to feed their families.

In addition to the financial loss, depositors are living under constant stress due to the uncertainty about whether they will get their money back.

PMC Bank was placed under directions by the RBI 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 that came to its notice.

## All-India strike hits normal banking operations at PSBs

**OUR BUREAU**

Mumbai, October 22

Banking services in most PSBs and old-generation private sector banks were hit with about four lakh employees, owing allegiance to the All-India Bank Employees' Association and Bank Employees Federation of India, going on strike.

The unions gave the strike call against the government's decision to merge 10 public sector banks into four banks and stopping banking reforms, said

CH Venkatachalam, General Secretary, AIBEA. Underscoring that the merger will close down six nationalised banks—Andhra Bank, Allahabad Bank, Corporation Bank, Syndicate Bank, OBC, and United Bank of India—Venkatachalam said: "Merger of banks is totally unwarranted in India as we need more banking services and opening of more branches to serve the people. Merger has so far resulted in the closure of branches and, hence, it is a wrong policy."

## Bajaj Finserv profit zooms 71% at ₹1,204 crore in Q2

Bajaj Finance posts the highest-ever quarterly net profit of ₹1,506 crore

**OUR BUREAU**

Mumbai, October 22

Bajaj Finserv Limited (BFS), the holding company for the various financial services businesses under the Bajaj Group, reported a 71 per cent jump in consolidated net profit at ₹1,204 crore in the second quarter ended September 30, 2019, against ₹704 crore in the year-ago

quarter. BFS participates in the financing business through its 54.81 per cent holding in Bajaj Finance Ltd (BFL) and in the protection business through its 74 per cent holding in two unlisted subsidiaries, Bajaj Allianz General Insurance Company Ltd (BAGIC) and Bajaj Allianz Life Insurance Company Ltd (BALIC). BFS' consolidated

total income rose 47 per cent to ₹14,224 crore (₹9,698 crore in the year-ago quarter). Total expenses were up 47 per cent to ₹11,597 crore (₹7,888 crore).

**Bajaj Finance**

BFL recorded its highest-ever quarterly consolidated net profit of ₹1,506 crore, against ₹923 crore in the year-ago period, recording a 63 per cent jump.

The non-banking finance company's assets under

management (AUM), including Bajaj Housing Finance Ltd's ₹25,714-crore AUM, were up 38 per cent year-on-year (y-o-y) to stand at ₹1,35,533 crore as on September 30, 2019.

To support the growth of

the business over the next few years, the board of directors of BFL approved, subject to shareholders' approval, the raising of capital through a Qualified Institutional Placement (QIP) for an amount up to ₹8,500 crore by issue of equity shares and/or eligible securities in accordance with applicable SEBI regulations and other laws.

BAGIC's net profit soared 62 per cent to ₹294 crore, against ₹192 crore in the

year-ago period. Gross written premium in the reporting quarter increased by 57 per cent to ₹4,279 crore, against ₹2,718 crore.

**Life insurance**

BALIC shareholders' profit after tax was up 57 per cent to ₹207 crore, against ₹132 crore in the year-ago period. Gross written premium increased by 7 per cent to ₹2,235 crore in Q2 FY20 versus ₹2,083 crore in Q2 FY19.

## Techfin firm Crediwatch raises ₹23-crore Series A funding

**THOMAS ABRAHAM**

Bengaluru, October 22

Bengaluru-based Crediwatch, a techfin company that builds artificial intelligence (AI) and machine learning (ML) tools to help the financial services industry reduce credit risk, has raised \$3.2 million (about ₹23 crore) in Series A funding.

This is the fourth round of funding for the company, said Meghna Suryakumar, founder and CEO.

Speaking to *BusinessLine*, Suryakumar said the funds raised will be used to accel-

erate research and development (R&D) and commercialisation of AI platform and to get more clients.

The current round of funding is led by Artis Labs. Other new investors in the round include Abstract Ventures. Earlier, Crediwatch had raised \$1.6 million (about ₹10 crore) funding from Modern India Limited, family offices of VK Jaitia, Contrarian Vriddhi Fund, Vaibhav Domkundwar of Better Capital, Mekin Maheshwari (Flipkart), and Pithambar Gona (former MD of Blackstone Private Equity



Meghna Suryakumar, founder and CEO, Crediwatch

Asia). Crediwatch has developed an early warning system (EWS) for banks and non-banking financial companies (NBFCs) that can help monitor their loan portfolios in near real-time by us-

ing both public and private data.

The company's offering assumes importance in the background of the huge pile of bad loans at most of India's banks and non-banking financial companies (NBFCs). State Bank of India, Karur Vysya Bank, Aditya Birla Finance, and RBL use the system for credit appraisal.

According to Crediwatch, less than 15 per cent of the over five crore small businesses in India have access to formal credit. Crediwatch says it offers a dynamic 'Trust Score', which is derived from

millions of data points that are extracted and analysed from across thousands of formal and alternative sources to help lenders assess borrowers and monitor them at near real-time.

Such an environment requires a dynamic business information exchange that can create transparency and continuous monitoring of borrowers with a view to weed out bad cases early on. "Our work helps measure trust through verifiable data, insights and good behaviour," said Suryakumar.

Crediwatch began work-

ing with SBI in the October to December quarter of 2018 for testing of the new system - credit review process.

The company was on-boarded with SBI starting January 2019. Beginning the current financial year, Crediwatch has a full-fledged relationship with SBI. The team based in Mumbai will review every proposal that every branch gives out for a certain value.

"SBI is leading the way for others; they are ensuring that issues (of bad debt) don't arise or repeat," said Suryakumar.

## RupeeRedee raises \$6 m

**OUR BUREAU**

Mumbai, October 22

RupeeRedee, a digital lending platform for underserved customers, has secured funding of around \$6 million.

The funds have been raised over a period of time from its parent company, Digital Finance International (DFI), a member of Finstar Financial Group, headquartered in Russia, which is a diversified private equity group focussed on fintechs.

RupeeRedee also has a digital NBFC, FincFriends Pvt Ltd, as its group entity,

which disburses loans. It has also created an online brokerage platform, originating digital personal loans for other partner NBFCs. Gurugram-based RupeeRedee has been facilitating small-ticket, flexible personal loans for over a year, and now attracts more than 10 lakh visitors per month through its website and mobile app from across 25 cities in India, the company said.

RupeeRedee has been facilitating digital personal loans to the underserved masses, including salaried, self-employed, first-time borrowers, and those rejected by other financial institutions.