

\$63 billion of zombie buildings sound alarm for Indian banks

Banks at risk as loans to shadow lenders have doubled in the last five years

BLOOMBERG

October 4

Ashish Shah is caught in the middle of India's latest financial crisis. As chief operating officer of Radius Developers, he's struggling to fund construction of apartment complexes because of a liquidity crunch in the nation's bloated shadow-banking sector.

"Real estate is a sitting duck," said Shah. "The timing is very crucial as the slow-down has hit the real estate market quite hard. The industry can't service interest, new interest, additional interest, because there is no cash flow."

Banking on loans

Radius and hundreds of other developers relied on loans from what India calls non-banking financial companies (NBFCs) to fuel a five-year property boom. That came to a halt a year ago with the default of one of the shadow banking sector's leading lenders, Infrastructure Leasing & Financial Services Ltd. The resulting credit squeeze has left builders such as Radius and Omkar Realtors & Developers looking for support, or, like scandal-hit Hous-

ing Development & Infrastructure Ltd, filing for bankruptcy.

There are \$63 billion of stalled residential projects across the country, according to Anarock Property Consultants, and their developers have become locked in a downward spiral with shadow banks. As lenders stop new credit, builders are forced to offload properties. Prices fall, causing more real estate loans to turn sour, pushing more shadow banks toward default.

In turn, that has cast a shadow on traditional banks and dried up funding to other businesses, putting more stress on an already slowing economy.

For Radius, the crunch started when one of its main lenders, Dewan Housing Finance Corp, shut off new loans as it attempts to restructure some \$12.7 billion debt to avoid bankruptcy. Shah said he gained a temporary reprieve by selling a project to Blackstone Group Inc, but like all builders, his company needs cash to operate while projects are being built.

Edelweiss Financial Services Ltd and Indiabulls Housing Finance Ltd, which have

some of the largest exposures to the sector, are also tightening funding.

The risks of exposure to real estate were underlined by the scandal surrounding HDIL. The Reserve Bank of India abruptly imposed withdrawal curbs on a small co-operative bank that it said had under-reported loans to the developer. The decision triggered panic withdrawals from the bank, prompting the RBI to issue a statement to reassure the public that the banking system is "safe and stable."

The stresses in the banking industry are an added headache for the RBI, which cut rates by 25 basis points on Friday to counter slowing growth.

YES Bank crisis

Some commercial banks that lent to developers and shadow finance firms — notably YES Bank Ltd — have been caught up in the crisis. Banks had boosted overall lending to NBFCs by more than 50 per cent over the past five years, to about \$96 billion or nearly 8 per cent of their total exposure.

YES Bank shares have led the declines in bank stocks, dropping more than 80 per cent in the past six months, including a 12 per cent slump this week. Its proportion of



Police personnel guarding a PMC Bank branch in Mumbai EMMANUEL YOGINI

stressed loans could rise to more than 12 per cent, from a net bad debt of 2.9 per cent, according to Credit Suisse Group AG analyst Ashish Gupta.

YES Bank Chief Executive Officer Raveet Gill said his bank only had exposure to three NBFCs. "There is a general perception that there is a closer linkage between YES Bank and NBFCs than actually exists," he said in an interview on Thursday.

"The biggest risk is, at its core, a liquidity crisis. A liquidity crisis left unattended

balloons into a solvency crisis," said former Reserve Bank of India Governor Duvvuri Subbarao, who steered India through the 2008 global downturn. While he doesn't see any local bank going down in the current scenario, "some weak non-bank finance companies should be allowed to fail for the entire financial system to come out stronger," he said.

Prime Minister Narendra Modi's administration and the RBI have taken steps to try to improve cash flow to shadow lenders, including al-

lowing banks to lend more to the sector, providing partial credit guarantees, and easing banks' mandatory liquidity ratios.

RBI Governor Shaktikanta Das reiterated on Friday that the central bank has the top shadow lenders under its "intense" supervision. He had said last month that the RBI is closely monitoring the top 50 NBFCs, which contribute about 75 per cent of the sector's loans, and it won't allow another systemically important NBFC to fail.

Meanwhile non-real estate

borrowers are getting caught in the cross-fire. India's shadow banks catered to a third of new lending until a year ago, and the tightening of new financing has hit businesses from tailors to auto-makers and affected some of the nation's biggest business conglomerates, including Anil Ambani's troubled group, Essel Group Ltd and Coffee Day Enterprises Ltd.

Slowing property sales in a flagging economy make it even harder for many shadow lenders to get funding, including Clearwater-backed Altico Capital India Ltd, which defaulted on repayments last month.

"The Achilles heel for the real estate sector is weak sales velocity, which has a direct impact on cash flows," said Saswata Guha, director of financial institutions at Fitch Ratings. "At some point it is bound to have a cascading effect if unresolved."

About \$24 billion of shadow bank loans to developers could sour in the coming two years, according to estimates from Anarock.

Roots of the crisis

The crisis has its roots in a lending binge by shadow banks between 2013 and 2018. Commercial banks were trying to chip away at a mountain of bad loans to large in-

frastructure and energy projects, so shadow lenders moved in, doubling their loan total to \$438 billion in four years. Most of the new financing went to builders, home loans, and debt-laden infrastructure projects, according to rating company ICRA Ltd. In comparison, commercial banks' lending rose just 46 per cent to \$1.36 trillion during the period.

When IL&FS defaulted, the funds dried up, and risks on banks' balance sheets started rising. Total bad loans could rise to a record 12 per cent by early next year, according to Credit Suisse and Fitch Ratings.

"A few months back we were essentially looking just at the real estate sector, but now the broader economic slowdown can affect other sectors and their creditworthiness," said Fitch's Guha.

But saving an NBFC from collapse would mean forcing a bank to absorb all or part of its bad debt. So while Das is leaning toward enforcing market discipline on NBFCs, borrowers like Radius are worried the crisis will continue. "The reliance on NBFCs has heavily hit cash flows," said Radius' Shah, who hopes the measures taken by policy makers will help the sector. "The need for more money is acute."

GoAir plans to add one aircraft a month

PRESS TRUST OF INDIA

Mumbai, October 4

Budget carrier GoAir said on Friday it will induct one aircraft every month as part of its aggressive fleet and network expansion plans.

Announcing the induction of two new A320neos, GoAir Managing Director Jeh Wadia, in a release, said the new planes will help it launch flight services to Singapore and Aizawl besides catering to seasonal demand.

The delivery of the two aircraft, one from the European aviation major Airbus' Hamburg facility and other from its Toulouse plant, was taken in one day, which is a record of sorts for any airline, he said.

"The induction of twin aircraft in the GoAir fleet is in sync with our strategy of aggressive growth and expansion of our network. Our plan is to add at least one aircraft on average every month," Wadia said. The airline plans to start operation to its eighth international and 25th domestic destination — Singapore and Aizawl, subject to regulatory approvals, he said.

Not taken a call yet on LVB-Indiabulls merger proposal, says RBI Governor

PRESS TRUST OF INDIA

Mumbai, October 4

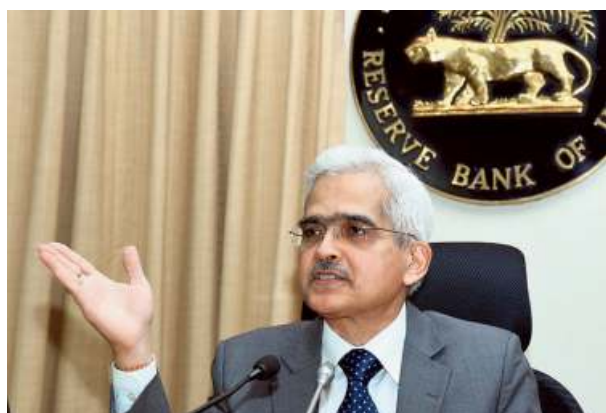
Placing Lakshmi Vilas Bank under the prompt corrective action framework cannot be construed as RBI having made up its mind on proposal to merge the lender with Indiabulls Housing, RBI Governor Shaktikanta Das said on Friday.

He also advised the stakeholders not to draw any inference now based on the punitive action on the South-based mid-size lender.

Indiabulls promoters' roots in realty space has made the RBI decision on the planned merger with LVB a keenly-watched event, as the central bank has a pronounced distaste for the sector fraught with volatilities.

However, LVB's low capital buffers, because of which it has been placed under PCA, has made it a difficult choice for the regulator as the merger will ensure it gets the gush of capital it needs.

Asked if placing LVB under PCA should be seen as the RBI



Reserve Bank of India Governor Shaktikanta Das addresses a press conference in Mumbai on Friday PAUL NORONHA

having made up its mind on the merger not going through, Das termed this as a "speculative question".

"As long as a decision is given out in the public domain, it is not correct on our part (to interpret). I would not like to comment on individual cases till we come out publicly," Das told reporters.

The Indiabulls management has been making public

pronouncements on how they would bring down their stake if the merger goes through and as part of that have already started to exit the non-kosher realty businesses.

Under PCA framework

The merger, announced in April 2018, has received all necessary approvals, but the all important nod from the RBI.

Das explained, with a lot of

precedents that placing a lender under PCA framework is normal and reiterated that this is a corrective measure to take care of "regulatory deviations or deficiencies".

"The RBI has put banks under PCA to ensure that timely measures are taken to bring the bank back on the rails. Where there are certain deviations from regulatory framework we put it under PCA. It involves taking certain steps to correct those regulatory deviations/deficiencies," he said. Till last fiscal, as many as 11 state-run banks were under the PCA and only a few have come out of the curbs since then. The PCA involves curbs on fresh lending above certain thresholds and also expansion.

Generally, the triggers for PCA are low capital buffer, high NPA and also network erosion.

Once the troubles get rectified, all the necessary steps are undertaken, the RBI gets a bank out of the framework.

'Not aware of govt demand for interim dividend'

PRESS TRUST OF INDIA

Mumbai, October 4

RBI Governor Shaktikanta Das on Friday scotched media reports that the government might seek an interim dividend of ₹30,000 crore from the central bank to meet its revenue shortfall after the massive tax cuts.

As per media reports, the government might seek an interim dividend of about ₹30,000 crore from the RBI towards the end of the financial year so that it could meet the fiscal deficit target of 3.3 per cent.

"I have also seen it in the media. That apart I am not aware of any such demand from the government for payment of interim dividend," Das told reporters after the announcement of the fourth bi-monthly

monetary policy. During 2017-18, the government received ₹10,000 crore as interim dividend from the central bank.

Last month, the RBI central board had given its nod to transfer ₹1,76,051 crore to the government from its surpluses as per the Bimal Jalan panel report.

The amount comprised ₹1,23,414 crore of surpluses for FY19 and ₹52,637 crore of excess provisions identified as per the revised economic capital framework (ECF) for the central bank.

Of the net income of ₹1,23,414 crore for FY19, RBI had already transferred ₹28,000 crore to the government as interim dividend in March 2019.

The Jalan panel also said after the surplus transfer, there would not be any interim dividend.

Bike-maker Benelli launches Leoncino 250 at ₹2.5 lakh



Vikas Jhabakh, MD, Benelli India, at the launch of the premium bike Leoncino 250 in Hyderabad G RAMAKRISHNA

OUR BUREAU

Hyderabad, October 4

Benelli, a manufacturer of premium bikes, and Adishwar Auto Ride India — Mahavir Group on Friday launched a neo-retro motorcycle, the Benelli Leoncino 250.

The model, priced at ₹2.5 lakh, is a compact, contemporary motorcycle from the Pesaro-based Italian brand, said the firm.

The company will also launch the 387 cc Imperiale, a cruiser, in India during the Diwali season. With the cruiser's launch, it will have eight models in its India portfolio.

The Leoncino 250 comes with a three-year warranty

and is available in four colours — white, grey, red and brown.

Key features

The bike has a single-cylinder and four-stroke, liquid-cooled, 249 cc engine. It features a double overhead camshaft, with four valves per cylinder, electronic fuel injection with a 37mm throttle body and a 6-speed gearbox. The maximum power and torque are 25.8 PS at 9250rpm and 21Nm at 8000rpm, respectively.

Highlighting the contemporary design of the Leoncino 250, the steel tube trellis frame fits perfectly with the tank design, offering balanced and dynamic surfaces, as does the

compact tail guard, said Benelli.

The full-LED headlight assembly is completely redesigned, in comparison to the older Leoncino 500. The instrument panel is digital and clearly visible in all conditions.

The model also features a laser-cut Lion on the front mudguard, recalling the history of this brand.

Vikas Jhabakh, MD, Benelli India, said: "With the launch of the Leoncino 250, we are entering the affordable superbike segment in India. Currently, we are witnessing good momentum in terms of overall sales."

How Walmart is applying blockchain tech to track AP's shrimp shipments

VARUN AGGARWAL

Mumbai, October 4

Food safety is one of the biggest issues that Indian food exports have faced in the recent past, be it recent ban of Indian seafood exports by the US or mango exports ban by the EU in 2015.

Walmart is now piloting the use of blockchain technology, popularly known for being the backbone of cryptocurrency, to improve food safety by bringing in traceability.

"We started piloting the use of blockchain for sourcing mangoes in the US in 2017. We realised that in order to track where a particular mango came from, took us at least seven days. After using blockchain, we could track it to the farm in just 2 seconds," Paul Dyck, Vice-President of Corporate Affairs, Walmart Inc, told *BusinessLine*.

India is among the top five sourcing markets for Walmart's global supply chain and in order to grow, trust needs to be established in food sourced from India and this is where Walmart is testing the use of Blockchain.

Walmart is piloting blockchain technology for end-to-end traceability of shrimp sourced from Andhra Pradesh and shipped to select Sam's Club locations in the US. The pilot project is the first known use of blockchain to track shrimp exports from a farmer in India to an overseas retailer and also

the first such blockchain project for Walmart in India.

According to Dyck, the pilot will help seafood farmers in the region to strengthen the shrimp supply chain and reinforce customer trust in the product, helping promote India as a preferred source of seafood, while also enhancing food traceability and transparency for consumers in the US.

The new technology will allow Walmart and its consumers to track the exact geo-location of a food product by just scanning the barcode. If any problems are detected with shrimps, blockchain can exactly find out the location from where the shrimp has been sourced. "India is at the top of our priority list. One area we are growing significantly in is sourcing out of India. When we make investments in a market, we really want to find that perfect spot where we can invest in something that is good for our business. In this case, obviously, having a good quality supply, having visibility into that supply is good for the business," said Dyck.

Our Visakhapatnam Bureau adds: For this pilot, Walmart worked closely with Andhra Pradesh-based seafood processor Sandhya Aqua and US-based supplier Stanley Pearlman Enterprises to add the shrimp supply chain to the

blockchain-enabled IBM Food Trust and create shared value for the entire shrimp farm-to-table continuum.

"This end-to-end blockchain pilot is the first of its kind in India and has the potential to create long-term economic opportunity for the shrimp farming community in Andhra Pradesh, directly benefiting the farmers through new skills training and development," said Chowdhary Kunam, Managing Director of Sandhya Aqua.

Shrimp is India's largest agricultural export, with the US, taking a 46 per cent share of India's shrimp exports by value in 2018. In Andhra Pradesh, the heartland of shrimp farming in India, the State government is encouraging farmers to improve quality standards and comply with stringent US monitoring programs to win the trust of US

retailers and consumers and strengthen shrimp cultivation as a sustainable long-term growth industry. Blockchain technology supports this effort in the shrimp supply chain.

To support small farmers in Andhra Pradesh, Walmart provided funding for the BAP certification training, helping them to access market opportunities.

According to Paul, Walmart will continually invest in training farmers in India through partners and bring in international farm technologies and best practices to improve their yields. Walmart intends to cut the middlemen and source directly from farmers and improve its margins. While Andhra Pradesh may be a pilot, Walmart is actively looking at new products and new regions within India to export from.

TVS Motor unveils Bluetooth-enabled Apache bike

OUR BUREAU

Chennai, October 4

TVS Motor Company has introduced a new Apache RTR 200 4V with Bluetooth-enabled SmartXconnect mobile application technology.

The motorcycle will be equipped with a connected cluster and a gold finish racing chain and it will be priced at ₹1,14,345 (ex-showroom Delhi), the bike (carburettor with Dual Channel ABS) will be available in colour selection of black and white across the country from this month, according to a statement.

TVS Connect App

The new Bluetooth-enabled SmartXconnect technology of Apache RTR 200 4V is paired with the TVS Connect App, which is available on Google Play Store and iOS App store.

Apache is one of the largest selling brands of TVS Motor and it dominates the above-150cc-200cc segment.

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PUBLIC NOTICE
IN THE COURT OF XII ASSISTANT CITY CIVIL JUDGE AT MADRAS
O.S.No.4200 of 2018
M/s. British Transport ..Plaintiff
Vs.
M/s. SBS Transpole Logistics Private Limited ..Defendant

To
M/s. SBS Transpole Logistics Private Limited,
A-173, First Floor,
Road No.4, Street No.10,
Mahipalpur Extension,
New Delhi - 110 037

Please take notice in the above case, the Honourable XII Assistant City Civil Judge, Madras has ordered notice to you returnable by 15.10.2019. Please be present in the court at the above said date, failing which the matter will be heard and decided in your absence.

(CT. MURUGAPPAN)
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