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## QUICKLY

### Rupee ends flat versus dollar

Mumbai, November 7

The rupee pared its initial losses to settle flat at 70.97 against the US dollar on Thursday after US-China trade deal hopes enthused investor sentiments. Sustained foreign fund inflows supported the domestic unit, though the gains were capped by hardening crude oil prices that breached the $62 per barrel mark, forex brokers said. At the interbank foreign exchange market, the rupee had opened weak at 71.10 against the US dollar. During the day, the domestic unit fluctuated between a high of 70.88 and a low of 71.11. The rupee finally settled at 70.97, unchanged from its previous close. The dollar index, which gauges the greenback's strength against a basket of six currencies, fell 0.12 per cent to 97.83. PTI

### Corp Bank to raise up to ₹1,000 cr

New Delhi, November 7

State-run Corporation Bank, on Thursday, said it will raise up to ₹1,000 crore by issuing Basel III-compliant bonds on a private placement basis. The bank is issuing Basel III-compliant tier-2 bonds 2019-20 series of ₹500 crore, with green shoe option up to ₹500 crore on private placement basis, it said in a regulatory filing. The tenor of the bonds, to be issued on November 8, is 10 years. The bank said no issuer call option is available with the bond issue, and the interest payment on the bond will be on annual basis and shall not be cumulative. PTI

# Mergers good, as 'PSBs are clones of each other'

THE BL INTERVIEW

**K RAM KUMAR**
Mumbai, November 7

The government should consider giving tax rebates for companies undertaking capital expenditure (capex) to spur the economy, according to VG Kannan, Chief Executive, Indian Banks' Association (IBA). While such a concession will hit the fisc, Kannan emphasised that supporting the economy is the need of the hour. In an interaction with *BusinessLine*, the IBA Chief Executive outlined his views on a host of issues, including relatively muted demand for credit vis-a-vis last year, the need to deter frivolous appeals in the resolution of stressed assets under the Insolvency and Bankruptcy Code (IBC), and the ongoing amalgamation among public sector banks. Excerpts:

**Why is credit offtake not gathering steam despite banks cutting lending rates on the back of the Reserve Bank of India cumulatively cutting the repo rate by 135 basis points since February?**

When it comes to large corporates, no new expansion has been taking place. They are borrowing for their normal increase in capacity utilisation – suppose they were operating at 70 per cent capacity utilisation, they now operate at 80 or 85 per cent. So, their working capital requirements have gone up. But no major new capacity is being added. Hopefully, the government's announcement regarding front-loading of capital expenditure (capex) will create demand for goods and services.

As there is no demand from the larger companies, the micro, small and medium enterprise sector has been hit. In the retail sector, merely because something is cheap, does not mean you will buy. Tell me, how many people will buy a second house, or a third house?

With the uncertainty in the real estate sector, people prefer to go for completed houses or nearly completed houses so that the uncertainty of non-completion is not there. Today,

*If the IBC process gains speed and if the decisions come quickly, half of the problems on account of the NBFC crisis will be mitigated*

VG KANNAN
Chief Executive, IBA

there is a fear that if I put money into a (housing) project and if it is not completed, I will have to continue to pay the EMI.

It means neither will I get rental income nor will I offset the existing rent, which I am paying by moving into my own house. Therefore, it will be a double whammy for me.

So, the confidence that projects will get completed on time has to come back. If that can be demonstrated, I think demand will start returning.

Fortunately, one thing that will go in favour of the market is that the monsoon has been good. So, hopefully, the crops will come out very well. Then, you will have farmers earning and starting to spend.

If that happens, it could kick-start the economy.

**Banks are flush with liquidity, but demand is muted. What needs to be done to change the situation?**

Now, easy availability of credit does not mean that demand will be there. Demand needs to be created. The government has done its bit by reducing the corporate tax, etc. Whether that will go towards increasing the capex needs to be seen.

They may have to revisit Section 80(I) of the Income-Tax Act related to investment allowance – say, if you set up something in the next five years, you will get a tax rebate. Something like that needs to be done to spur the economy. This concession may hit the fisc, but we need to spur the economy.

**What is your assessment of the stressed assets resolution under the IBC?**

IBC is a resolution process. The idea is to ensure that the asset is conserved and productive activities are carried on. That way, some of the stressed assets which have been resolved, such as Electrosteel, Monnet Ispat and Bhushan Steel, have been successful.

Scan & Share

There have been a couple of cases that dragged on a bit too long, and that causes a lot of discomfort. In fact, I would say if the IBC process gains speed and qualitatively if the decisions come quickly, I think, half the problem on account of the non-banking finance company (NBFC) crisis will also be mitigated because many of the banks will actually get recapitalised due to the inflow on account of resolution. And, therefore, they would be in a stronger position to handle the NBFC crisis and bear the loss on account of these.

**Is the merger of six public sector banks with four others the right thing to do?**

Personally speaking, I am for mergers because all the banks (PSBs) are clones of each other, each trying to ape the other, very often without knowing the projects they have been financing (without really understanding whether they are strong in those areas).

As all of them are government-owned, therefore, everyone has the view that they are all the same. The very fact that the number of PSBs has come down to 18 from 28 is commendable. And nowhere in the world do you have four or five very large banks (in a country).

I think, it is high time India also had five to six very large PSBs, two to three large private sector banks, and the remaining banks can be regional banks or banks operating in niche areas.

# Forensic audit of PMC, valuation of securities under way, says RBI chief

**OUR BUREAU**
New Delhi, November 7

The Reserve Bank of India (RBI), on Thursday, said that the situation at scam-hit Punjab & Maharashtra Co-Operative Bank (PMC) is being monitored closely. The central bank said it has also given inputs to the Centre for making legislative changes related to co-operative banks in the country.

"We increased the withdrawal limit. PMC's situation is being closely monitored," RBI Governor Shaktikanta Das told reporters here after a meeting of the Financial Stability and Development Council (FSDC) held here. The meeting was presided by Finance Minister Nirmala Sitharaman, and was attended by financial sector regulators and senior officials with the Finance Ministry.

PMC Bank was once among the top urban cooperative banks in the country, but was placed under an RBI administrator on September 23 for six months due to massive under-reporting of dud loans.

The RBI had imposed withdrawal restrictions after it found alleged irregularities to the tune of ₹4,355 crore due to diversion of money to infrastructure firm HDIL.

On Tuesday, the apex bank enhanced the cash withdrawal limit to ₹50,000 per account, the third increase since the bank was placed under its direct control.

Das said the RBI is in discussions with various investigating agencies.

"Two things have happened. Forensic audit is under way and an agency has been appointed to ascertain realisable value of the assets offered to PMC," he said. Further, he added that there was a need to make amendments to the relevant Act that governs multi state co-operatives.

"The government is taking it forward in consultation with the RBI," he said.

# How the IRDAI-proposed higher loss limits will benefit customers while filing insurance claims

**SURABHI**
Mumbai, November 7

Insurance companies believe the IRDAI's proposed hike in the limits for self-assessment of damages will benefit customers, who may now be able to report higher value damages on their own without having to wait for days for a surveyor.

The proposed changes will apply not only to motor damage, but also other losses such as fire, marine, and home insurance claims. The exposure draft of the IRDAI (Insurance Surveyors and Loss assessors) (Amendment) Regulations 2019, which was released recently, has proposed hiking the loss limits for appointment of surveyors.

For the filing of motor insurance claims, it has proposed that policyholders can report claims up to ₹75,000, against the current ceiling of ₹50,000.

For claims other than motor insurance, the IRDAI has proposed a threshold of ₹1,50,000, against the current ₹1 lakh.

Roopam Asthana, CEO and Wholetime Director, Liberty General Insurance, said this is a long-pending correction in view of the inflation in the labour market and vehicle part costs in the case of motor insurance. "Surveyors are required for managing complex claims, and simpler or low-ticket size claims should be left to the insurance companies to handle directly with their customers," he said.

**'Customer-friendly move'**

Bisheshwari Singh, Principal Officer, Universal Sompo General Insurance, also called it a customer-friendly move, and said the threshold can be even higher. "In my opinion, the requirement of IRDAI-licensed surveyor for motor should be minimum ₹1 lakh and for the other (non-motor) ₹2 lakh.

"Due to inflation, the cost of motor vehicle parts is increased and many a time simple loss such as breakage of windscreen, side mirror and bumper cost more than ₹50,000," he noted.

Similarly, small fire loss or burglary loss, which is assessed on estimated basis, does not require any technical expertise, he pointed out, adding that companies have sufficient database and have started using AI to settle the loss promptly. To ease over the waiting period for surveyors to reach and assess the damage, many general insurers have already launched apps for motor insurance claims, where the policyholder can take photographs of the vehicle damage and send them directly.

"This is especially required in smaller cities where often surveyors are busy. These apps help in faster processing of claims so that the customer can get the repaired vehicle quickly," said an executive with a private sector general insurer.

# Growth in core income helps UCO narrow loss to ₹892 cr

**OUR BUREAU**
Kolkata, November 7

Riding on the back of higher other income and growth in core income, UCO Bank reported narrowing of net loss to ₹892 crore in the quarter ended September 30, 2019, against a loss of ₹1,136 crore in the same period last year.

Net interest income grew by 31 per cent to ₹1,267 crore for the quarter under review, when compared to ₹965 crore in the same period last year. Other income increased by 171 per cent to ₹729 crore, against ₹269 crore in the same period last year.

Operating profit grew by 139 per cent to ₹1,207 crore (₹506 crore). On a sequential basis, net loss was up from ₹601 crore reported in the first quarter of this fiscal.

The bank reported an overall improvement in asset quality, with both gross and net non-performing assets witnessing a decline. Gross NPAs, as a percentage of total loans, stood at 21.87 per cent, down from 25.37 per cent in the same period last year, while net NPAs came down to 7.32 per cent (11.97 per cent).

**Bad-loan provisioning**

Provisioning for bad loans and contingencies increased to ₹2,099 crore for the quarter under review, from ₹1,642 crore a year ago. During the quarter, the Central government infused ₹2,130 crore by way of preferential allotment of equity shares in the bank.

The bank is currently in the process of evaluating the option under new tax rules as amended by the government, and continues to recognise the taxes on income for the quarter and the half-year ended September, as per the earlier provisions of the Income-Tax Act, 1961, the bank said in its note to the stock exchanges on Thursday.

"The bank has recognised deferred tax asset of ₹8,086.37 crore on carry-forward losses up to March 31, 2019.

"During the quarter, the bank has recognised deferred tax assets of ₹542.47 crore," UCO Bank said.

# Andhra Bank posts ₹70-cr Q2 profit

**OUR BUREAU**
Hyderabad, November 7

Andhra Bank has earned a net profit of ₹70 crore in the second quarter ended September 30, 2019. In the corresponding quarter of the previous financial year, the bank posted a loss of ₹434 crore.

A 24 per cent reduction in provisions and contingencies and 7 per cent increase in operating profit, among others, resulted in the net profit, the bank said in a release on Thursday. Net interest income decreased by 2 per cent to ₹1,694 crore (₹1,728 crore), while net interest margin, too, came down to 3.23 per cent (3.44 per cent).

The gross and net non-performing assets stood at 16.91 per cent and 5.95 per cent, respectively.

# Bithumb launches blockchain platform

**OUR BUREAU**
Mumbai, November 7

Bithumb Global, one of the largest bitcoin exchanges in the world, has unveiled a new blockchain platform, Bithumb Chain, and is hoping to work with Indian companies. However, it is still on a wait-and-watch mode regarding the status of cryptocurrency in the country.

"We are watching very carefully what happens in India on cryptocurrency. We want to follow the law and are open to talks on the issue," said Vincent Poon, Vice-President, Bithumb Global.

Talking about Bithumb Chain, Poon told *BusinessLine* that they will look to incubate projects and are talking to companies in India who may want to use Bithumb Chain.

Bithumb Chain aims to enable the transfer of value, the flow of information, and vertical business integration within a shared blockchain ecosystem.

## EXTERNAL BENCHMARK-LINKED LOANS

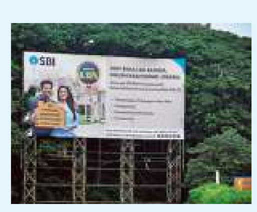
# *With varying interest rates, banks in race to attract home-loan customers*

**G NAGA SRIDHAR**
Hyderabad, November 7

Prospective home buyers will now need to be more cautious while choosing a loan. Banks have been coming up with varying rates of interest as part of external benchmark-linked loan products.

The Reserve Bank of India (RBI) has mandated banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs to an external benchmark. Many banks are now coming up with revised product offerings, in line with the RBI's circulars.

SBI is going great guns with a tagline on its hoardings – 'Lower interest, higher happiness'



SBI is offering an interest rate of 8.15 per cent, subject to conditions

– which displays 8.15 per cent interest, subject to conditions. "If rates are going to be cheaper, this looks like an interesting product. But how long they will be low? This has to be seen," said M Rama Prasad, a home loan applicant at an SBI branch here.

ICICI Bank has put out an effective interest rate of 8.60 to 8.85 per cent for home loans up to ₹35 lakh for salaried borrowers, which means a spread of 3.45 to 3.70 per cent over the repo rate.

Replying to a question on the bank's approach to these types of loans during an analyst call, Rakesh Jha, Chief Financial Officer, ICICI Bank, said: "Our approach towards this market benchmarked-linked product is to understand how the market pans out for this product over the next three to four months."

He said the bank wants to be 'competitive' as long as it meets the return threshold, and that it will look at pricing home loans "differently, if at all we would want to do".

At present, there is a transition phase and, over the next three months, there will be a better sense of how the rate moves. Axis Bank has been offering loans with a spread of 3.40 to 4.05 per cent on floating rate loans for salaried individuals with some variations for different product categories.

Many other banks have also been working on pricing these loans to attract more customers. The interest rates differ from bank to bank as they have been given freedom to choose any one of the external benchmarks, including the RBI's repo rate. The current repo rate is 5.15 per cent.

# City Union Q2 profit rises to ₹194 cr

**OUR BUREAU**
Chennai, November 7

City Union Bank (CUB) posted a 15 per cent growth in second quarter net profit at ₹194 crore.

The bank's net profit for the same period last year was ₹168 crore. The bank reported a net profit of ₹186 crore in the June quarter.

Operating profit, driven by non-interest income, grew 17 per cent in the September quarter to ₹346 crore, against ₹296 crore recorded in the same period last year.

While the bank's net interest income grew by 12 per cent to ₹1,037 crore (₹926 crore) in Q2, non-interest income grew by 64 per cent to ₹195 crore (₹119 crore).

Asset quality of the bank remained stable despite a marginal increase in the bank's gross non-performing assets (GNPA).

The bank's GNPA, as a percentage of total advances, stood at 3.41 per cent (2.85 per cent) as on September 2019, and net non-performing assets (NNPA) at 1.90 per cent (1.69 per cent).

"The incremental NPAs is from across all sectors and it is almost similar to what we saw in the last few quarters," said N Kamakodi, MD and CEO.

He also added that the bank's incremental slippage for the quarter is around ₹190 crore, and total recovery from live accounts and technically written-off accounts is around ₹115-120 crore.