

Markets

TUESDAY, FEBRUARY 18, 2020



IOB's TARGET

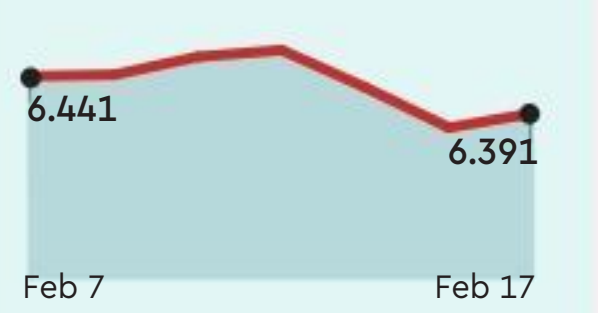
Karnam Sekar, MD, Indian Overseas Bank

We are confident of reporting profit in the March quarter, and once we do that, we will fulfill the two conditions to be able to get out of PCA framework. We have already stepped up recovery efforts... any recovery beyond 14% can be written back to our books. This will help us.

Money Matters

G-SEC

The benchmark yield rose due to selling pressure



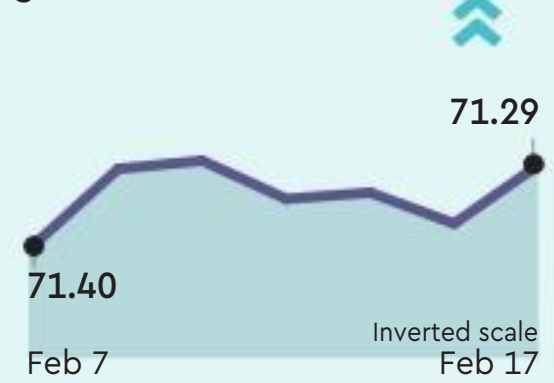
LAF

Data for LAF not available on Monday.



₹/\$

Rupee appreciated on global cues



€/£

The euro rose against the US dollar



Quick View

P-note investments continue to drop

INVESTMENTS IN THE Indian capital market through participatory notes (P-notes) continue to decline and hit a nearly 11-year low of ₹64,537 crore till the end of December 2019. P-notes are issued by registered FPIs to overseas investors who wish to be part of the Indian stock market without registering themselves directly. They, however, need to go through a due diligence process. According to Sebi data, the total value of P-note investments slumped to a fresh low of ₹64,537 crore till December-end.

5Paisa.com introduces unique portfolio analyser

5PAISA.COM ON Monday launched portfolio analyser for investors, which offers complete financial health analyses in an easy format. The company is the first Indian broker to offer this product based on an in-house proprietary technology with analytics.

AGR DUES

RBI closely monitoring impact on banking sector, says Das

PRESS TRUST OF INDIA
New Delhi, February 17

WITH MASSIVE ₹1.47 lakh crore of AGR dues pushing telecom companies to the brink, Reserve Bank of India (RBI) governor Shaktikanta Das on Monday said the central bank is "very closely monitoring" the fallout of the crisis on lenders by way of a default, if any, by telecom players.

In an interview with *PTI*, Das said so far no red flags have been raised but the central bank continues to monitor the situation closely.

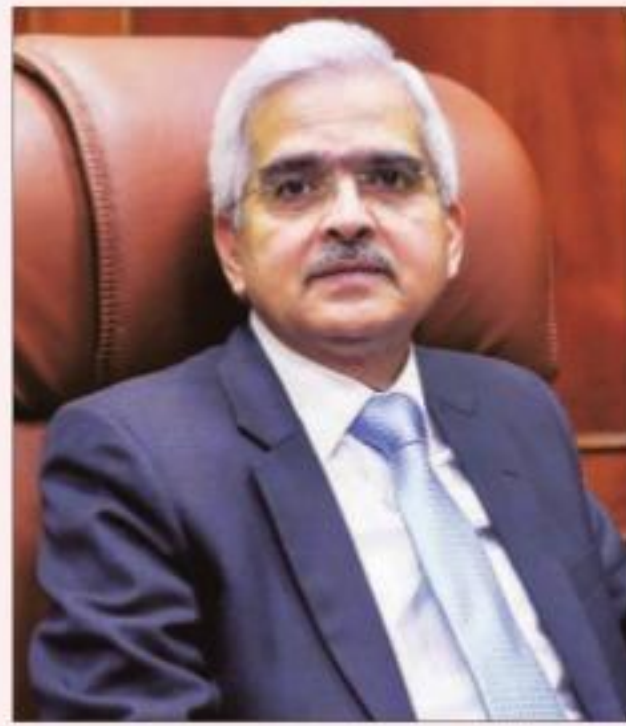
The Supreme Court last week rejected a plea by mobile carriers such as Bharti Airtel and Vodafone Idea for extension in the payment schedule and asked them to deposit an estimated ₹1.47 lakh crore in past dues for spectrum and licenses by March 17.

Some telecom firms are already struggling with mounting losses and debt and the additional liability has raised concerns of them defaulting on existing loans. Das said he cannot comment on the Supreme Court ruling.

"With regard to the impact on the banking sector, we are very closely monitoring it. It all depends on how the companies concerned are able to make the payments and when they are able to make the payments. We are monitoring it," he said.

Of the estimated dues that include interest and penalty for late payments, Airtel and Vodafone Idea owe about 60%.

While Airtel on Monday paid ₹10,000 crore out of the ₹35,586-crore dues that the Department of Telecommunications (DoT) thinks the company owes to the government, Vodafone Idea's plea for being allowed to pay ₹2,500 crore immediately and another ₹1,000 crore by Friday to clear



a part of the dues of ₹53,000 crore was rejected by the apex court on Monday.

Airtel has said it will clear the remaining dues before the next date of hearing on March 17 but Vodafone Idea has so far not provided a clear deadline for making payments.

Das said no red flags on default by any telecom company has so far been raised with the central bank. "We are monitoring the situation. We are monitoring it very closely."

The telecom sector, he said, has been one of the pillars of the economic growth of India in the last two decades. It created demand as well as jobs just like other pillars of massive infrastructure push given by the construction of the Golden Quadrilateral highway project and information technology sector.

"In the telecom sector, there was a huge expansion. India was able to capitalise on that," he said.

Lack of fin products knowledge hurts MSMEs, says official

THE LACK of basic understanding of financial products and services is hindering the progress of MSMEs, a senior RBI official has said. Micro, small and medium enterprises play a significant role in economic development, in terms of their contribution to employment generation, innovation, exports and inclusive growth, said RBI regional director for Northeastern region, Manoranjan Dash. The Centre and RBI have undertaken several measures for orderly growth of the sector, he said.

-PTI

The telecom boom not just lowered the cost of making phone calls and internet usage charges but also created massive employment. In recent times, a few companies in the telecom sector have folded up under mounting debt pile and intense competition, leading to job losses. Even in the current crisis, there are apprehensions about the continuation of at least one company.

Vodafone Idea chairman Kumar Mangalam Birla had in December stated that the company may have to shut if there is no relief on the statutory dues. "If we are not getting anything, then I think it is the end of the story for Vodafone Idea," he had said. "It does not make sense to put good money after bad... We will shut shop."

RBI gets ₹1.94 lakh cr bids for maiden ₹25,000-cr LTRO

PRESS TRUST OF INDIA
Mumbai, February 17

THE RESERVE BANK of India on Monday successfully kicked off the maiden long-term reverse repo operation (LTRO) by conducting a three-year issue worth ₹25,000 crore for which it received bids of more than ₹1.94 lakh crore.

Deploying an out-of-the-box tool to ensure permanent and deeper liquidity in the system, which hovers over ₹2.5 lakh crore on a daily basis now, the RBI on February 6 had announced ₹1 lakh crore of long-term reverse repo operations beginning Monday. The RBI will conduct the second issue for ₹25,000 crore on February 24, which will have one-year tenor.

"Today, the Reserve Bank of India conducted the first long-term repo operation (LTRO) for a notified amount of ₹25,000 crore with a three-year tenor in pursuance of the LTROs announced on February 7," the monetary authority said in a statement.

The response to the LTRO has been so encouraging that bids crossed ₹1,94,414 crore, implying a bid to cover ratio of 7.8. Total amount of bids has, in fact, exceeded the aggregate amount of ₹1 lakh crore proposed to be offered under the LTRO scheme, it noted. RBI allotted the bills on a pro-rata basis to 63 applicants with total allotted amount at ₹25,035 crore, taking the pro-rata allotment percentage to 12.86.

The reversal date of these repos is February 16, 2023, it said, adding the operations were conducted on the E-Kuber platform. While issuing the LTROs guidelines, the RBI has said these measures would be in addition



tion to the existing LAF and MSF operations. The operations would be conducted at a fixed rate.

Banks would be required to place their requests for the amount sought under LTRO during the window timing at the prevailing policy repo rate. Bids below or above policy rate will be rejected. In case of over-subscription of the notified amount, the allotment would be done on pro-rata basis. RBI will reserve the right to inject marginally higher amount than the notified amount due to rounding effects and the minimum bid amount is ₹1 crore and in its multiples.

On February 13, the RBI had said the interest on LTROs would be compounded on an annual basis and would be conducted at the prevailing repo rate.

It can be noted that the reverse repos were on average overnight, or even intra-day and the longest so far has been 14-days. But now the central bank is offering it in one-year and three-year tenors. The participants will have to offer securities as collateral for the complete tenor of LTRO and the residual maturity of the securities offered as collateral should be equal or more than the tenor of the LTRO at inception, it said.

'No proposal to merge LIC Housing Fin with any other entity'

PRESS TRUST OF INDIA
New Delhi, February 17

LIFE INSURANCE CORPORATION ON Monday said there is no proposal to merge its subsidiary LIC Housing Finance (LICHFL) with any other entity. The statement came after some reports suggested that insurance behemoth LIC might expedite the process of merging LICHFL with its banking arm IDBI Bank.

"There was absolutely no proposal to merge LICHFL with any other entity and all such rumours floating in the market are not based on facts," LIC said in a clarification. IDBI Bank, in a separate filing, clarified that no such proposal has been discussed in its board meeting.

Shares of the LICHFL tanked more than 10% in day trade on BSE after the reports. The scrip settled down by 7.71% at ₹380.30. IDBI shares also declined by 2.54% to end at 34.50.

IDBI Bank, in which LIC holds 51% stake, had reported widening of its stand-alone net loss to ₹5,763.04 crore due to higher bad loans. The lender had posted a net loss of ₹4,185.48 crore during the October-December period of the previous fiscal year. The bank witnessed high proportion of bad loans, with gross non-performing assets (NPAs) at 28.72% of the gross advances at the end of December 2019, little lower than 29.67% in the corresponding period of the previous fiscal.

EoI: DHFL lenders to meet on February 20

FE BUREAU
Mumbai, February 17

AT LEAST 14 applicants are believed to have submitted expressions of interest (EoI) for Dewan Housing Finance Corp (DHFL), including Welspun Group, Adani Group, Davidson Kempner, KKR India Financial Services, Bain Capital, SC Lowy, alternative investment management firm Oaktree Capital, Asset Reconstruction Company India (ARCIL) and Phoenix asset reconstruction company. Warbug Pincus, Varde Partners and Deutsche Bank also understood to have submitted EoIs for the mortgage financier.

The committee of creditors (CoC) to the mortgage lender will meet on February 20 to discuss the EoIs and vote on evaluation criteria, sources close to development told FE. The deadline to submit EoIs ends on Monday midnight. As per the process approved in the last CoC meeting held on January 16, after submitting expressions of interest, interested bidders will have to complete data analysis by March 2 and then submit final bids by April 16.

The DHFL administrator had invited bids for the company in three parts – retail, wholesale and slum redevelopment authority (SRA). The agenda of the CoC meeting to be held on February 20 also includes administrator to update lenders

At least 14 applicants are believed to have submitted expressions of interest for DHFL, including Welspun Group, Adani Group, Davidson Kempner, KKR India Financial Services, Bain Capital, SC Lowy, Oaktree Capital, ARCIL and Phoenix ARC

about the operations of the company, provide legal updates and details of the updated claims.

FE reported earlier that DHFL was looking to restart lending operations. However, more than 100 depositors went to the Supreme Court against restarting of lending operations before clearing their dues. The court had directed depositors to approach National Company Law Tribunal (NCLT) for the same. DHFL has not disbursed loans since May 2019 after the trouble started due to liquidity crunch. The company has received claims of around ₹2,000 crore till now.

DHFL is undergoing resolution proceedings at NCLT Mumbai after getting admitted on December 3, 2019. Reserve Bank of India (RBI) had superseded DHFL's board on November 20 and appointed R Subramaniakumar as administrator for the resolution of company.

ICICI Bank raises ₹945 crore by issuing Basel III-compliant bonds

ICICI BANK ON Monday said it has raised ₹945 crore by issuing Basel III compliant bonds on private placement basis. According to a BSE filing, the bank has allotted 9,450 Basel III compliant unsecured subordinated tier 2 bonds in the nature of debentures, aggregating to ₹945 crore on private placement basis. The bonds were allotted on February 17. The bonds are redeemable at the end of 10 years and there is an issuer call option on or after the

5th anniversary from the date of allotment, subject to RBI approval, it added. "The bonds are eligible for inclusion as Tier-2 capital of the bank... and have the rights, privileges and features customary for such tier 2 issuances," it said. The bonds carry a coupon of 7.10% per annum payable annually and were issued at par. ICICI Bank said the bonds are rated 'CARE AAA; Stable' by Credit Analysis & Research and 'ICRAAAA (hyb)'/'Stable' by Ica. PTI

ANALYST CORNER

'Hold' on Apollo Hospitals Enterprise; PT at ₹1,575

JEFFERIES

APHIS REPORTED better-than-expected Q320 led by margin beat across segments. Hospital revenue grew 13%, slightly below expectation as mature hospital growth moderated to 9%. Pharmacy revenue grew 22% and margins improved 70bp y-o-y.

AHLL also reported strong growth. We expect growth to moderate and margin improvement to be limited from current levels. Further, medium-term challenges remain high. With the stock trading at 15x FY22E EV/Ebitda, we retain 'Hold'. APHS reported Q320 better than expectation. Revenues grew 17% y-o-y led by new hospital and pharmacies.

Revenue growth was in line with expectation with hospitals below and pharmacy/AHLL better. Margins improved 108bps y-o-y and +30bp q-o-q. Margins came 33bp ahead of JEFs. Inpatient volume growth moderated from Q2 peak to 8%, though still strong. Existing hospital sales growth moderated to 9% vs 13% in Q2. Margins for existing hospitals improved 10bps q-o-q and 60bps y-o-y. New hospital margins increased 120bps y-o-y despite the ₹34-mn loss

in Proton. Growth moderated for most clusters. Tamil Nadu growth grew 11% vs 14% in H1. Andhra was stable at 9% vs 9.6%. Karnataka saw sharp moderation to 10% vs 15% in H1.

AHLL margins improved to 3% vs 1.4% in Q2. Pharmacy revenues grew 22% y-o-y and margins were at 6.1% (+70bps y-o-y). Revenue per store grew 8% y-o-y. The company expects to reach mid-teens margins in new hospitals over the next 12-18 m. It is looking at bolt-on hospitals in target markets like Mumbai, Kolkata and Bangalore.

For the next 2yrs, growth should be driven by operationalizing beds in existing hospitals. Oncology contributes c17% of revenues. We adjust our estimates for the quarter. Our Ebitda estimates for FY20/21/22, increase by 3/6/6%.

While we expect improvement in some margins going forward, we believe that competitive risks are still high and that the valuations leave no room for upside. Retain 'Hold' with SOTP-based PT of ₹1,575 (vs ₹1,350 as we roll to FY22E), implying FY22E EV/Ebitda of 13.8x and valuing the hospital business at a 10% discount to the historical average multiple at 15x.

Sunteck Realty: Maintain 'Buy' with a TP of ₹487

ICICI SECURITIES

AFTER CLOCKING muted H1FY20 sales bookings of just ₹2.9 bn, Sunteck Realty's (SRIN) sales bookings have significantly picked up in H2FY20 with ₹8.1 bn of sales across two new project launches in Mumbai.

The Avenue 4 residential project in ODC, Goregaon achieved sales bookings of ₹2.1 bn while the recently launched Naigaon Phase 2 (Maxx World) has clocked sales bookings worth ₹6.0 bn. With this, SRIN has achieved ₹12 bn of sales bookings in YTD FY20 (similar levels to FY19), which should result in improved collections going ahead.

Also, SRIN expects to commence construction of its annuity assets of 3msf at ODC, Goregaon in Q1FY21 as well in a phased manner. We maintain our 'Buy' rating with an unchanged target price of ₹487/share based on 1x NAV. SRIN launched two towers at its 4th Avenue, ODC project in Goregaon, Mumbai in Q3FY20 spread over 0.9msf (over 200 units launched) of which it

sold over 50% of the launched inventory (123 units sold worth ₹2.1 bn). Further, in February 2020, SRIN also launched Maxx World, the second phase of its affordable housing project in Naigaon in Mumbai's extended Western suburbs having ~2,000 units.

SRIN has sold ~80% of the launched inventory in Maxx World (1,600 units worth ₹6.0 bn). With these two successful back-to-back launches in H2FY20, SRIN has now achieved ₹12 bn of sales in YTD FY20 (similar levels to FY19) and this should reflect in improved collections from FY21E as execution ramps up across these projects.

SRIN's new project acquisition is located in Andheri West at a relatively premium location in Mumbai's Western suburbs. Current resale prices for completed projects range between ₹30,000-35,000/psf. As per SRIN, most of the approvals for launch of the freesale area are already in place and the only cost to be borne by SRIN is for construction and excludes cost of project approvals and FSI purchase.

No telecom exposure, will post profit in March qtr: IOB

BANIKINKAR PATTANAYAK
New Delhi, February 17

INDIAN OVERSEAS BANK (IOB) – one of the four state-run lenders under the RBI's prompt corrective action (PCA) regime that recorded massive losses in the December quarter – hopes to return to profitability in the March quarter and get out of the PCA framework as it has already provided for as much as 86.2% of its bad loans, managing director Karnam Sekar told *FE*.

The bank has no exposure to the telecom accounts that may potentially turn bad due to the Supreme Court's ruling on AGR (adjusted gross revenue) dues, and has already set aside adequate capital for major stressed assets, including DHFL, said Sekar.

IOB recorded one of its worst performances ever in the December quarter, having incurred a loss of ₹6,075 crore, against that of ₹346 crore a year ago. While massive provisioning has bled its balance sheet quarter after quarter, it has also enabled the bank to clean up its books. Consequently, its net non-performing asset (NPA) stood at 5.81% as of December 2019, against 13.56% a year ago. "The worst is clearly behind us now," Sekar said. "We are confident of reporting profit in the March quarter, and once we do that, we

Bank mulls FPO next fiscal

INDIAN OVERSEAS Bank is mulling to raise funds through a follow-on public offer (FPO) next year, a senior official of the lender said. Ajay Kumar Srivastava, executive director IOB, said that the FPO idea was still "at the drawing board level" and the board would take a decision on the quantum of funds to be raised and the percentage of stake to be diluted. The Centre holds nearly 95% stake while LIC has 3% and others 2% in the bank. "Raising money from public is on the cards. We plan to do it in the second or third quarter. We will go to the market with FPO. First we have to go to our Board, we have to go to RBI and Sebi also (for necessary approvals)," he told reporters in Hyderabad. -PTI

will fulfill the two conditions (below-6% net NPA and profitability) to be able to get out of the PCA framework. We have already stepped up recovery efforts, and given the massive provisioning coverage ratio, any

recovery beyond 14% can be written back to our books. This will help us," said Sekar, who took over as the bank's MD in July last year. "Also, we won't need capital from the government in FY21," he added.

If and when the bank moves out of the PCA, it will be able to lend freely and grow out of the problem.

Sharing medium-term (over the next 2-3 years) plans, Sekar said the bank would focus more on MSME and retail loans than corporate debt that tends to be riskier. It aims to boost its MSME loan portfolio to ₹50,000 crore over the medium term, against ₹31,000 crore now.

Similarly, it seeks to almost double its housing loans to ₹25,000 crore in the next 2-3 years, against ₹13,000 crore now, according to Sekar. The bank also hopes to raise its CASA (current accounts, savings accounts) levels to 40% from a decent 39% now. CASA suggests low cost of funds, as typically banks' interest outgo on such accounts is minimal. To ensure speedy recovery from bad assets, IOB has set up 16 recovery branches. It has put up some 8,000 properties for online auctions. It has also raised the account threshold for one-time settlement of debt to ₹25 crore from ₹3 crore earlier, which will enable more borrowers to settle fast.

IOB's capital adequacy level – which