



QUICKLY
Paying up JPMorgan Chase announced an agreement to settle a federal lawsuit that accuses the bank of discriminating against minority borrowers by charging them \$1,000 more than equally qualified white customers. The lawsuit was settled for \$55 million APF

Rupee down 5 paise to 68.13/5

Mumbai, January 19
The rupee weakened further by five paise to close at a one-week low of 68.13 against a resurgent dollar amid hawkish tone from the US Federal Reserve. High volatility continued to churn the market for the second day as investors waited for more clarity in an uncertain global scenario in the midst of confusing signals from the world's major central banks. Consistent demand for the dollar from importers weighed on the rupee. However, better capital inflows and firm local equities helped the home currency regain some lost ground, a forex dealer said. PF1

Bond yields, call rate rise

Mumbai, January 19
Government bonds (G-Secs) continued to decline on selling pressure from banks and corporates. The 7.61 per cent 10-year benchmark bond maturing in 2030 eased to ₹107.14 from ₹107.40, while its yield rose to 6.79 per cent from 6.76 per cent. The overnight call money rate turned higher following strong demand from borrowing banks amid tight liquidity in the system. It finished at 6 per cent from Wednesday's level of 5.80 per cent. PF1

SIB appoints additional director

Kochi, January 19
South Indian Bank has announced the appointment of Achal Kumar Gupta as the new additional director. Gupta has over 40 years of experience in banking and finance, including corporate credit and treasury management. The major posts held by him include Chief General Manager (Corporate Accounts Group) of SBI, Managing Director of SBI Mutual Fund, Managing Director of State Bank of Patiala and Whole-time Director of IFCL. OUR BUREAU

Lloyd's to open branch in India

Mumbai, January 19
Lloyd's, the specialist insurance and reinsurance market, has announced plans to open a reinsurance branch in India. This is being done in time for major reinsurance renewals that are likely in April, following final approval from the Insurance Regulatory Development Authority of India. OUR BUREAU

Bombay Mercantile Co-op Bank fined

Mumbai, January 19
The Reserve Bank said it has imposed a penalty of ₹75 lakh on Bombay Mercantile Co-operative Bank for violation of norms related to KYC and anti-money laundering. In a statement, the central bank said that the monetary penalty has been imposed for "violations of Know Your Customer/Anti-Money Laundering directives issued by the RBI". PF1

Axis Bank net slumps 73% in Q3

Bad loan provisioning rises, net interest margin declines

OUR BUREAU

Mumbai, January 19
Axis Bank's net profit in the third quarter of FY17 decreased 73 per cent year-on-year (y-o-y) to ₹580 crore on higher provisioning for bad loans.

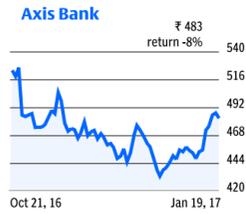
However, the bank's loan book and net interest income expanded by 10 per cent and 4 per cent, respectively.

Net interest income (NII) grew 4 per cent y-o-y to ₹4,334 crore in Q3 FY17 (₹4,162 crore in Q3 FY16). The bank's net interest margin (NIM) declined 36 basis points to 3.43 per cent (3.79 per cent in Q3 FY16).

Balance sheet

The bank's balance sheet size (total assets) grew 15 per cent y-o-y to over ₹5.78 lakh crore. The loan book grew 10 per cent to ₹3,47,175 crore. Of this, retail contributed 43 per cent, corporate 44 per cent, and small and medium enterprises (SME) and others contributed the remaining 13 per cent.

Deposits grew 9.5 per cent to over ₹3.7 lakh crore. Of this, low-



cost deposits or CASA (current and savings account) constituted 48 per cent.

Bad loans

Gross non-performing assets (NPA) rose 354 basis points (bps) y-o-y to 5.22 per cent while net NPAs rose 143 bps to 2.18 per cent.

The bank's capital adequacy ratio (money set aside to absorb shocks from bad loans) as per Basel-III norms stood at 16.03 per cent, up 213 bps y-o-y.

Axis Bank has a network of 3,211 branches and 13,726 ATMs across the country.

Nine-month performance

For the nine months ended December 2016, Axis Bank's net profit fell 73 per cent to ₹2,454 crore. NII for the period however, increased 9 per cent y-o-y to ₹13,365 crore (₹12,280 crore).

Federal Bank profit up 26%

OUR BUREAU

Kochi, January 19
Federal Bank has posted a 26 per cent growth in its net profit at ₹205.65 crore in Q3 of FY17 compared with ₹162.72 crore in the corresponding period of the previous fiscal.

Operating profit increased 45.91 per cent to ₹474.90 crore from ₹325.48 crore in the year-ago period.

As on December 31, total business increased 27 per cent year-on-year (y-o-y) to ₹1,61,864.87 crore. Total deposits registered a yearly growth of 23 per cent to ₹92,235.65 crore, and net advances rose 32 per cent to ₹69,629.22 crore.

The bank's NRE and low-cost current account and savings account (CASA) deposits continued to witness consistent growth. NRE deposits grew 21.72 per cent to ₹34,546.66 crore and CASA deposits rose 33.19 per cent to ₹31,972.97 crore. CASA, as a per-



centage of total deposits, increased to 34.66 per cent from 32.10 per cent at the end of the corresponding period last year. The book value per share increased to ₹49.94 from ₹47.86.

The bank earned a net interest income of ₹791.39 crore for the quarter while the net interest margin stood at 3.32 per cent.

The gross and net non-performing assets (NPAs) at the end of the quarter stood at ₹1,951.55 crore and ₹1,102.37 crore, respectively. Gross NPA as a percentage of total advances fell to 2.77 per cent and net NPA as a percentage of net advances stood at 1.58 per cent.

The capital adequacy ratio, computed according to Basel-III guidelines, stood at 12.28 per cent at the end of the quarter.

The bank's NRE and low-cost CASA deposits continued to witness consistent growth

YES Bank net rises 31% in Q3

Aided by improved net interest margins, says MD Rana Kapoor

OUR BUREAU

Mumbai, January 19
YES Bank has reported a 31 per cent increase in net profit to ₹883 crore in the third quarter ended December 30, 2016, from ₹676 crore in the year-ago period.

In the reporting quarter, net interest income (the difference between interest earned and interest expended) was up 30.3 per cent year-on-year (y-o-y) to ₹1,507.50 crore (₹1,157 crore in the year-ago quarter).

Non-interest income, compris-



Rana Kapoor, MD & CEO, YES Bank



ing commission, exchange and brokerage, profit from sale of investments, and other non-interest income, increased 34 per cent y-o-y to ₹998 crore (₹746

Advances increased 39 per cent y-o-y to ₹1,17,087 crore as at December-end 2016 from ₹84,396 crore as at December-end 2015.

Deposits were up 30.5 per cent to ₹1,32,376 crore (₹1,01,437 crore as at December-end 2015). The low-cost CASA (current account and savings account) deposits increased to 33.3 per cent from 26.6 per cent.

Gross non-performing assets as a proportion of gross advances edged up to 0.85 per cent from 0.66 per cent in the year-ago quarter.

YES Bank shares closed at ₹1,347.15 apiece, up 0.06 per cent over the previous close on the BSE.

Continuing the steady run

Q3 COMMENT

RADHIKA MERWIN

BL Research Bureau
Despite challenges within the sector, particularly post-demonetisation, YES Bank continued to deliver steady performance across parameters.

Strong loan growth, healthy profitability and stable asset quality, just about sums up the bank's performance in the latest December quarter.

YES Bank has been delivering year-on-year growth of 20-25 per cent in loans for many quarters.

The December quarter has not seen much deviation from the past trend; the loan growth has only been stronger at 38.7 per cent, much higher than the muted 5 per cent growth at the system level as of December.

The growth in the bank's large corporate, retail and SME seg-

ments continues to be on a strong footing.

The new marginal cost of funds-based lending rate (MCLR) framework, introduced by the RBI last year, has helped the bank offer competitive rates and tap into opportunities in the large corporate segment. The corporate book contributes the chunk — 68.9 per cent of total loans.

Capital for growth

YES Bank's robust growth had led to concerns about the bank's ability to raise the requisite capital to continue funding its growth in the coming quarters. But the bank has raised ₹3,000 crore through Additional Tier-I bonds during the December quarter.

This should help fund the bank's growth for the next 12-18 months. The Tier-I capital stood at 12.2 per cent as of the December quarter.

Strong loan growth, healthy profitability and stable asset quality, just about sums up the bank's performance in the latest December quarter

In any case, YES Bank's strong return on equity (ROE) will continue to keep its growth in good stead.

The bank's ROE, which has been in the 18-25 per cent range in the last couple of years, has kept the growth in capital intact through internal accretion. In the December quarter, the ROE stood at 22.3 per cent.

Low-cost deposits

Aside from the strong growth in loans, improving low-cost current account savings account (CASA) ratio continues to aid margin expansion.

The bank has been able to grow its CASA deposits at over 40 per cent annually over the last five years.

In the December quarter, aided by the influx of deposits post-demonetisation, the bank grew its CASA by a robust 63 per cent year-on-year.

The net interest margin hence, improved to 3.5 per cent in the December quarter, from 3.4 per cent in the previous quarter.

Asset quality

Despite its higher corporate exposure and stellar growth in loans, YES Bank's asset quality continues to be stable. In the December quarter, the bank's gross non-performing assets stood at 0.85 per cent of loans, lower than that of most private banks.

Over the past five years, the bank's GNPA has been below 1 per cent of loans.

Lakshmi Vilas Bank profit jumps 70%

Driven by lower cost of funds, stable net interest income, and recoveries

OUR BUREAU

Chennai, January 19
Amid demonetisation blues, Lakshmi Vilas Bank (LVB) has reported a healthy growth in profit and strong recoveries in the third quarter of this fiscal.

For the quarter ended December 31, 2016, the bank's net profit grew 70 per cent to ₹78.38 crore from ₹46 crore in the year-ago quarter, supported by lower cost of funds, stable net interest income, and recoveries.

Operating profit rose 62 per cent to ₹171.45 crore (₹105.99

crore in the year-ago period). Other income more than doubled to ₹150.22 crore (₹69.32 crore).

Total income grew 22 per cent to ₹879.26 crore (₹723.05 crore a year ago).

"During the September quarter, the bank reported a bill discounting fraud for a value of ₹75 crore in one of the branches. However, I am delighted to inform that the entire amount, along with the overdue interest, was recovered. Following this, numerous steps have been taken

to tighten the systems and processes," said Parthasarathi Mukherjee, Managing Director and CEO of LVB.

The bank also had to pay a penalty levied by the RBI for the lapse. Provisions for the same were also made.

During the third quarter, there was some stress on asset quality. The bank saw fresh slippages of ₹88 crore. But recoveries were to the extent of ₹81 crore. There was only one major account in the shipping sector that turned bad and the value was ₹45 crore. The next big slippage was below ₹3 crore.

Gross non-performing assets (NPA) as a percentage of gross

advances increased to 2.78 per cent from 2.70 per cent in the preceding quarter and 1.80 per cent from Q3 of the previous fiscal.

Net NPAs rose to 1.82 per cent from 1.87 per cent on sequential basis and 0.80 per cent in a year-ago quarter.

During the end of the December quarter, the old private sector bank raised ₹168 crore in equity through qualified institutional placement (QIP).

"This is the first time LVB accessed the market to raise funds. Also, it was raised at the peak of demonetisation when conditions were not stable," said Mukherjee.

'We have tried to reduce our dependence on project advisory, structured finance'

Focus will be more on M&A, capital markets, says SBI Caps MD

NS VAGEESH

Varsha Purandare, MD & CEO of SBI Capital Markets, has been a career SBI officer. Her three-decade stint with the bank has exposed her to all facets and wings of the bank — retail, treasury and corporate credit. Each stint, she says, has helped her acquire a certain attribute which comes useful in her current role. For instance, her stint as a treasury dealer, both in India and overseas, has given her the capacity to think on her feet and to adapt to changing conditions quickly as the market changes direction. "We cannot be rigid in our theories if the market doesn't agree with our hypothesis. You'll have to cut your losses quickly," she said. Her stint in credit (her previous posting was as Chief Credit and Risk Officer of SBI) has given her a rounded view of the Indian corporate sector and also a keen understanding of the challenges faced by a public sector banker in providing credit and then handling the fallout if the loans don't come back in time. At present, her focus has been on developing new lines of business at SBI Caps to help de-risk its income stream from reliance on the project advisory and structured

finance segments. Excerpts from an interview:

Will there be an improvement in corporate and bank results this quarter?

The results in the banking sector may still not recover to the expected extent because provisions may not go down much. It will not dip because there may actually be some growth or be at the same rate because of the ageing of these debts.

Provisions tend to go up as debt remains on the books for longer periods. Also, due to the demonetisation effect, some of the small and medium enterprises (SMEs) may have some impairment because of the liquidity strain. We will have to watch out for this.

It will be visible only in this quarter. I am confident that it will not be a serious constraint. But provisions for NPAs (non-performing assets) may not come down drastically.

This fiscal may not be that good. Last year we did decently well. We achieved our targets.
Varsha Purandare MD & CEO, SBI Capital Markets

What's your view on the business outlook for this year (2016-17)?

The growth in capital goods sector has been affected because of overcapacity and fall in demand, and the global slowdown. We have not seen major investments happening this fiscal. The earlier capacities have not been fully utilised as of today, so, credit growth to the capital goods sector has been affected. It may start increasing from the first or second quarter of next year.

Which sectors are witnessing credit growth?

The hybrid annuity model in road projects has started picking up as has solar power where a lot of new projects are coming up. Consumer industries to a

small extent, though there has not been additional manufacturing lines. Auto-ancillary has started picking up as well. Oil and exploration has been good. Telecom, after the advent of Jio, has become competitive and will see consolidation. Mining did well this fiscal compared to last year.

Will this translate into a good fiscal for SBI Caps?

This fiscal may not be that good. Last year we did decently well. We achieved our targets. There are two things that determine how we do. One is M&A activity, which saw a big push this fiscal. And this doesn't happen just in one or two months. The work starts a year or 18 months before. We have seen growth in this activity.

M&A activity grew six-fold this fiscal. We did the

RCom-Aircel, Reliance Infra-Adani Transmission and Reliance Cement-Birla deals. In the project advisory and structured financing segment, which contributes 80 per cent of our income, we are getting a lot of mandates in the stressed assets, S4A and SDR segments.

As far as capital market activity is concerned (rights issue/IPO/OFS as well as debt capital market), there has been substantial growth.

We have tried to reduce our dependence on project advisory/structured finance by focusing more on M&A, and capital markets. In raising funds through debt capital markets, we are ranked third. We are trying to de-risk our revenue growth.

What's your outlook for the next fiscal?

The next fiscal should be better. Some of our initiatives will come to fruition next year.

Capital markets, as of today, are seeing a lot of issues coming up. The pipeline looks healthy. But remember also that if I file a DRH (Draft Red Herring) prospectus today, I have one year to raise money. When the money will be raised depends on the right price and how the market conditions are.

Many companies in the mid-corporate category came to raise money this fiscal. That pipeline is good.



NPCI asks ICICI Bank to accept UPI transactions made via PhonePe app

OUR BUREAU

New Delhi, January 19
The National Payments Corporation of India (NPCI) has advised ICICI Bank to immediately start accepting UPI transactions made through PhonePe, a Flipkart app.

This follows a discussion that NPCI had with ICICI Bank and YES Bank — the banker to PhonePe — to review ICICI Bank's action to block UPI transactions made through PhonePe. "Based on a review by NPCI... we would like to

state that ICICI Bank has been advised to open UPI transactions immediately," NPCI said in a statement.

Raising security-related concerns about access to UPI data to a non-banking application, ICICI Bank had on January 13 decided to block all its customers from using the PhonePe mobile app and digital payment services.

This was decided without any prior notice to YES Bank, which is Flipkart's UPI banking partner.

Bank deposits up 0.64% over fortnight ended January 6

PRESS TRUST OF INDIA

Mumbai, January 19
After falling in the previous fortnight, bank deposits again jumped 0.64 per cent in the fortnight to January 6, according to Reserve Bank of India data.

Bank deposits increased to ₹10,584,171 crore in the fortnight to January 6 from ₹10,516,237 crore collected during the fortnight ended December 23, the RBI said on Thursday.

Deposits collected in the fortnight to December 23 had declined 0.7 per cent compared to ₹10,591,313 crore accrued during the fortnight ended December 9. This was the first time that deposits

had fallen since the government announced demonetisation of old ₹500 and ₹1,000 notes on November 8.

During the fortnight ending November 25, deposits at banks had soared to ₹10,517,719 crore from ₹10,114,803 crore on November 11.

Bank credit in the fortnight to January 6 stood at ₹74,13,415 crore, up 0.9 per cent compared to ₹73,48,054 crore in the fortnight ended December 23.

In the fortnight to December 23, bank credit as a whole grew a marginal 0.12 per cent from ₹73,39,116 crore in the fortnight ended December 9, RBI data showed.