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Dear Comrades,

26th October , 2016

News of Interest 26th Oct

QUOTE OF THE DAY

“LIFE IS A DIFFICULT GAME. YOU CAN WIN IT ONLY BY RETAINING YOUR BIRTHRIGHT TO BE A PERSON.”

A. P. J. ABDUL KALAM

1. AXIS, IDBI BANK PROFITS HIT BY NPA PROVISIONING
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3. FORENSIC AUDITOR INVESTIGATING DEBIT CARD DATA BREACH, SAYS RBI
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8. KOTAK BANK Q2 NET UP 43%

Business Standard

1. Axis, IDBI Bank profits hit by NPA provisioning

HDFC Bank, Kotak Mahindra Bank and Federal Bank report healthy bottom line growth in September quarter

[Nupur Anand](#), [Anup roy](#) & [Abhijit Lele](#)

Six listed commercial banks on Tuesday reported a mixed performance for the second quarter ended September 2016. Banks with large exposure to corporates — Axis Bank and IDBI Bank — saw a sharp drop in net profit as they had to make more provisions for stressed assets. In contrast, three banks — HDFC Bank, Kotak

Mahindra Bank and Federal Bank — reported a robust increase in net profit on improvement.

Axis Bank

Private lender Axis Bank posted a sharp 83 per cent fall in net profit to Rs 319 crore in the September 2016, quarter from Rs 1,915 crore in the corresponding year-ago period. The provisions and contingencies rose over five times to Rs 3,622 crore, from Rs 707 crore during this period.

The bank's gross non-performing loans (NPAs) rose to 4.17 per cent of its gross advances (loan book), from 1.38 per cent in last year's September quarter. In absolute terms, gross NPAs stood at Rs 16,379 crore, compared to Rs 4,415 crore in September 2015 quarter. In the quarter ended June 2016, its gross NPAs were at 2.54 per cent (Rs 9,553 crore) of its advances.

For Axis Bank, the pressure on its asset quality is expected to continue for at least two more quarters. In the March quarter, Axis Bank had put out a watch list of Rs 22,628 crore and had stated that it expects 60 per cent of the loans from it to fall into NPAs. However, now the bank has revised its guidance and expects an even higher percentage of accounts to slip into the bad loans category. Jairam Sridharan, chief financial officer, Axis Bank, explained that even though the macro environment is improving the pressure on wholesale and corporate lending remains. "Some of the resolution mechanisms such as scheme for sustainable structuring of stressed assets, strategic debt restructuring, etc haven't worked out as expected and this has also led to an increased number of accounts slipping (turning bad). There needs to be some modifications with respect to the structure of the tools and the lenders coming together for recovery," he explained.

HDFC Bank

HDFC Bank — the country's second largest private sector lender — posted 20.4 per cent growth in net profit to Rs 3,455 crore in the July-September quarter, helped by higher net interest income and lower provisions.

This was in line with Bloomberg estimates of Rs 3,456 crore. Net interest income, the difference between interest earned and interest expended, grew by 19.6 per cent year-on-year to Rs 7,994 crore. This was supported by higher loan growth, with 21.7 per cent in retail and 14.3 per cent in wholesale.

Asset quality remained stable with gross NPAs at 1.02 per cent of advances as compared to 1.04 per cent in June quarter. In the same period net NPAs also improved to 0.30 per cent, compared to 0.32 per cent in the previous quarter.

The bank's capital adequacy remained stable at 15.4 per cent.

Kotak Mahindra Bank

Kotak Mahindra Bank's consolidated net profit increased 28 per cent to Rs 1,202 crore, from Rs 942 crore in the year ago period. It's consolidated net interest income increased by 17 per cent to Rs 2,664 crore.

Net interest margin, the difference between yields on advances and cost of funds, improved to 4.47 per cent on a standalone basis in the quarter, from 4.37 per cent in June 2016 quarter and 4.30 per cent in the September 2015 quarter.

Asset quality improved with gross NPAs to gross advances improving to 2.49 per cent, compared to 2.50 per cent in the quarter ended June on a standalone basis. In

the same period net NPA also improved to 1.20 per cent, compared to 1.21 per cent in the previous quarter.

The bank remains well-capitalised with consolidated capital adequacy ratio of the bank (including unaudited profits as per Basel III as of September 30, 2016) at 17.3 per cent and Tier I ratio at 16.5 per cent.

The other three

Public sector lender IDBI Bank's net profit contracted by 53.8 per cent to Rs 55.08 crore in September quarter of FY17, from Rs 119.5 crore for the corresponding year-ago period. Its provisions for bad loans jumped to Rs 920 crore from Rs 666 crore during this period. The gross NPAs swelled to 13.05 per cent (Rs 30,133 crore) of loan book in September 2016 quarter, from 6.92 per cent (Rs 14,757 crore) a year ago. Sequentially, too, this metric has worsened, given that its bad loans were at 11.92 per cent (Rs 27,275 crore) of loan book at end of June 2016.

Backed by a healthy growth in interest income, Federal Bank — Kochi-based private lender — reported marked improvement in bottom line. It posted a 25 per cent growth in its net profit at Rs 201.24 crore in September 2016 quarter, from Rs 161.25 crore in the corresponding period last year.

IDFC Bank, which morphed into a commercial bank last year, posted a net profit of Rs 388 crore in the second quarter ended September 2016.

Financial Express

2. Scope for 50 bps rate cut by April: BoFA

There is room for a 50 basis point rate cut by the Reserve Bank over the next few months with 25 bps each likely in February and April, says Bank of America Merrill Lynch.

By: PTI

There is room for a 50 basis point rate cut by the Reserve Bank over the next few months with 25 bps each likely in February and April, says Bank of America Merrill Lynch.

RBI is expected to pause on the December 7 monetary policy review that rate cut would be a "bullet wasted".

According to the global financial services major, the "dovish" RBI MPC minutes released last week, signal towards a more accommodative policy stance in the coming months.

"We add a 25 bps RBI rate cut in April in addition to the 25 bps penciled on February 7 after dovish RBI MPC minutes were released last week," BofA-ML said in a research note.

It listed "five compelling reasons" for 50 bps cut. First, growth is weak; second, inflation will likely slip; third, an early 2017 50 bps RBI rate cut should send a signal to banks to cut lending rates; Fourth, the rate cut should support the INR by attracting Foreign Portfolio Investors inflows and finally, the bankruptcy code and GST legislation should convince the RBI MPC of the government's pursuit of reforms.

The report further said though RBI is expected to cut 25 bps on February 7 and April, it is not likely to go too much below the current levels "given that 6.5-7 per cent medium- term CPI inflation is surely a good proxy for inflation expectations".

MPC, which has three members nominated by the government and the rest from RBI, lowered repo rate to 6.25 per cent from 6.50 per cent at the end of 2-day deliberations on October 4. The next meeting of the MPC is scheduled on December 6 and 7.

Retail inflation based on Consumer Price Index (CPI) in September dropped to 13-month low of 4.31 per cent, mainly on account of easing vegetables prices, creating headroom for further rate cut by Reserve Bank in coming months.

3. Forensic auditor investigating debit card data breach, says RBI

The Reserve Bank of India (RBI) has said that a forensic auditor is investigating the debit card data breach affecting Indian banking system under Payment Card Industry Data Security Standard (PCI-DSS) framework.

By: [ANI](#)

The Reserve Bank of India (RBI) has said that a forensic auditor is investigating the debit card data breach affecting Indian banking system under Payment Card Industry Data Security Standard (PCI-DSS) framework.

The RBI said that it will submit a report on the issue within the next ten days to the finance ministry. The move by the RBI comes in the wake of several public and private sector banks being made to recall or block over 32 lakh debit cards to safeguard their customers from financial fraud.

The finance ministry has asked various agencies, including the RBI to submit their report in ten days. Finance Minister Arun Jaitley had said last Friday that the government has sought a detailed report on the extent of debit card data compromise following the biggest security breach in the Indian banking industry that affected over 32 lakh card holders. "I have sought a report in the debit card issue. The idea is to contain the damage," Jaitley said.

4. Panama Papers are an issue of transparency: IMF chief

Panama Papers and Bahama Leaks are a matter of honesty, transparency and accountability, IMF chief Christine Lagarde said here today, amidst demand for the resignation of Pakistan Prime Minister Nawaz Sharif on corruption charges.

By: [PTI](#)

Papers and Bahama Leaks are a matter of honesty, transparency and accountability, IMF chief Christine Lagarde said here today, amidst demand for the resignation of Pakistan Prime Minister Nawaz Sharif on corruption charges.

On the final day of her maiden two-day visit to Pakistan, the IMF Managing Director in her concluding press conference alongside Finance Minister Ishaq Dar said accountability and transparency was the right course forward for the country.

"And that is the best way to go forward whether it is Panama or Bahama or whatsoever," she said in response to a question regarding alleged involvement of Pakistani leaders in Panama Papers scandal.

She said technological progress and access to information will make it impossible to run and hide, Dawn reported.

Lagarde also indicated that the perception of corruption was hurting Pakistan's prospects to grow.

“Pakistan ranks 117 out of 168 countries in perceived corruption,” she said while referring to the Corruption Perceptions Index.

She said although direct social and economic losses are difficult to measure, even a perception of corruption deters private investment and impedes efforts aimed at promoting sustainable and inclusive growth.

“Increasing transparency, making people accountable and removing red tape can help” address the issue of perception of corruption, she was quoted as saying by the Express Tribune.

In his reply to a question about the Panama Papers, Pakistan’s Finance Minister Ishaq Dar said there is no justification of the political agitation regarding the case.

He said the issue is lying in court and the hearing of the case in this regard will be held on November 1.

He said the Pakistan Tehreek-i-Insaf (PTI) chief Imran Khan’s sit-in in Islamabad on November 2 demanding Prime Minister Sharif’s resignation will cause inconvenience to the people and affect business and economy.

Sharif and some his family members are accused of illegally transferring money abroad after the Panama Papers leaks showed his family of possessing properties in the UK.

Sharif and his family have dismissed the allegations of money laundering and denied any wrongdoing.

Economic Times

5. Salim Gangadharan to replace Amitabha Guha as non-executive chairman in South Indian Bank

By *Atmadip Ray,*

Former Reserve Bank of India chief general manager Salim Gangadharan is tipped to be the next non-executive chairman of private sector lender South Indian Bank BSE - 0.62 %, which has embarked upon a business restructuring aiming to grow profit to Rs 1,000 crore by fiscal 2020 from Rs 307 crore in 2014-15.

Gangadharan, who has been independent director in the bank since January 2014, is expected to assume his new responsibility in the first week of November, subject to a clearance from the sector regulator, according to a senior bank official.

He retired from RBI as principal chief general manager.

The present non-executive and part time chairman of the bank, Amitabha Guha, will demit office on November 1. Guha joined the board in November 2010 for a period of three years and his term was further extended by another three years.

South Indian Bank’s board, like in other private lenders such as ICICI Bank BSE 1.60 % and HDFC Bank BSE -1.19 %, is headed by a non-executive chairman while these banks are run by managing directors.

The Kerala-based lender plans to achieve Rs 2 lakh crore businesses by 2020 from Rs 93,250 crore at the end of September.

Business Line

6. HDFC Bank profit up 20% as retail loans log healthy growth

OUR BUREAU

Healthy growth in advances, especially in the retail segment, helped HDFC Bank clock a 20 per cent year-on-year growth in net profit at ₹3,455 crore in the July-September 2016 quarter. The net profit in the year-ago quarter was ₹2,869 crore.

The bank reported a 19.6 per cent increase in net interest income (interest earned less interest expended) at ₹7,994 crore (₹6,681 crore in the year-ago period).

Non-interest income, comprising fees and commissions; foreign exchange and derivatives revenue; gain on revaluation/ sale of investments; and miscellaneous income, climbed 14 per cent to ₹2,901 crore (₹2,552 crore).

Total deposits increased 17 per cent year-on-year (y-o-y) to ₹5,91,731 crore. Advances were up 18 per cent to ₹4,94,418 crore.

Domestic retail loans and wholesale loans grew 21.7 per cent and 14.3 per cent, respectively. Advances in overseas branches were at 6.7 per cent of the total advances as of September-end 2016.

Paresh Sukthankar, Deputy Managing Director, explained that within the retail segment, demand was robust for auto, personal and home loans.

In the wholesale loan segment, he said, there was good demand for short- and medium-term working capital loans and refinance for completed projects. However, there was no appetite as yet for new capital expenditure.

Net interest margin was steady at 4.20 per cent but came off a few basis points as compared with the preceding quarter.

Sukthankar observed that since his bank raised additional liquidity in anticipation of redemption of FCNR (B) deposits, the same was parked in low-yielding short-term instruments, such as treasury bills. Hence, the NIM did not nudge up y-o-y.

The bank had mopped up \$3.4 billion three years back under the RBI's special scheme for mobilising FCNR (B) deposits.

While redemption of the non-leveraged portion of these deposits started last month, redemption of the leveraged portion (NRI depositors borrowing overseas and parking the same as deposits with the bank) will start later this month, said Sukthankar.

With the NRIs redeeming their FCNR (B) deposits to repay the loans they took overseas, the bank's overseas loan book is expected to shrink to about 4 per cent.

Gross non-performing assets (GNPAs) rose to ₹5,069 crore as on September-end 2016 from ₹3,828 crore as on September-end 2015.

GNPAs as a proportion of gross advances nudged up to 1.02 per cent from 0.91 per cent.

Shares of HDFC Bank closed at ₹1,250.40 apiece, down 1.19 per cent over the previous close on the BSE.

7. Loan book growth lifts Federal Bank profits 25%

OUR BUREAU

Kerala-based Federal Bank has registered a 25 per cent growth in its net profit at ₹201.24 crore in the second quarter of 2016-17. The figure in the corresponding fiscal last year was ₹161.28 crore.

Backed by a 26.63-per cent increase in advances, the total business showed a 21-per cent growth to reach Rs. 1,50,986 crore as on September 30, thereby crossing the Rs. 1,50,000-crore landmark. Total advances grew to Rs. 65,439.31 crore on September 30 this year from Rs. 51,675.89 crore on September 30, 2015, and total deposits increased to Rs. 86,299.10 crore from Rs. 73,783.20 crore.

NRE deposits also posted a 19.26 per cent growth to ₹32,459.20 crore from ₹27,217.34 crore, while CASA deposits grew 13.92 per cent to touch ₹26,786.93 crore.

"We are pleased with the good progress across all our key metrics and, in particular, strong growth in quality credit. This has resulted in the highest ever-recorded income and operating profit numbers. We are working to ensure this trajectory continues," Shyam Srinivasan, Managing Director and CEO, said.

On the asset side, wholesale advances grew 47 per cent to ₹22,451.08 crore and retail advances clocked 21.77 per cent growth.

In the reporting period, SME advances grew 17 per cent to ₹16,235.37 crore, and housing loans by 13.85 per cent ₹8,350.60 crore.

The bank earned net interest income of ₹725.24 crore for the quarter ended September 30. The net interest margin increased to 3.31 per cent from 3.11 per cent.

Gross NPA as at the end of Q2 stood at ₹1,819.72 crore, which as a percentage to gross advances stood at 2.78 per cent. Net NPA figures stood at ₹1,039.74 crore and 1.61 per cent, respectively. The provision coverage ratio (including technical write-offs) is 71.70 per cent.

The bank's net worth increased to ₹8,366.91 crore as on September 30 this year from ₹8,057.43 crore as on September 30, 2015. The capital adequacy ratio computed in accordance with Basel III guidelines stood at 12.85 per cent as at the end of the quarter.

8. Kotak Bank Q2 net up 43%

OUR BUREAU

Kotak Mahindra Bank reported a robust 43 per cent growth in net profit for the second quarter, on the back of a steady rise in net interest income and sharp rise in other income.

The net profit rose to ₹813 crore from ₹570 crore in the corresponding year-ago quarter. Net interest income (interest earned less interest expended) climbed 19 per cent to ₹1,995 crore.

Other income grew 35 per cent to ₹831 crore. Other income includes non-fund-based income, such as commission earned from guarantees, letters of credit, and financial

advisory fees, selling of third-party products, earnings from foreign exchange transactions and profit/loss from the sale of securities.

Asset quality

Asset quality remained good with net non-performing assets moving up marginally to 1.20 per cent of assets compared to 1.05 per cent in the corresponding quarter of the previous fiscal.

According to the segmented results, half the pre-tax profits of the bank came from corporate/wholesale banking, a fifth from retail, and treasury contributing to the rest.

The bank's net interest margin was strong at 4.47 per cent, compared with 4.30 per cent in the year-ago period. Loans grew to ₹1.20-lakh crore as against ₹1.11-lakh crore earlier. The bank's CASA ratio (proportion of current and savings account to total deposits) rose to 39 per cent or about ₹55,041 crore.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY