

News of Interest 3rd May

QUOTE OF THE DAY

'NEVER STOP DOING GREAT JUST BECAUSE SOMEONE DOESN'T GIVE YOU CREDIT '
SOME ONE

HIGHLIGHTS

1. BANDHAN BANK'S Q4 NET PROFIT UP 68% AT RS 651 CRORE, NPAS STAND AT 2%
2. VICTORY FOR RBI: MADRAS HC SETS ASIDE ITS SINGLE-JUDGE ORDER ON NBFC REGISTRATION
3. NCLAT ALLOWS BANKS TO DECLARE DEFAULTING IL&FS ACCOUNTS AS NPAS
4. EMI FINANCING SURGES 10-FOLD IN TIER III CITIES: ZESTMONEY
5. SBI TO CONSIDER JET STAFF'S BILLION-DOLLAR BID AFTER MAY 10

Business Standard

1. Bandhan Bank's Q4 net profit up 68% at Rs 651 crore, NPAs stand at 2%

Net interest income (NII) of the bank rose 45.6 percent to Rs 1,258 crore against Rs 864 crore in the same period last year

Namrata Acharya |

Bandhan Bank reported a 67.7 percent jump in its fourth quarter (Q4) FY19 net profit at Rs 651 crore, against Rs 388 crore in the same period last year.

The gross non-performing assets (NPA) of the bank stood at 2.04 per cent in the last quarter, against 1.25 per cent in the same quarter a year ago. Net NPA remained at the same level of 0.58 per cent in Q4 of FY19 and Q4 of FY18.

Net interest income (NII) of the bank rose 45.6 percent to Rs 1,258 crore against Rs 864 crore in the same period last year.

Deposits increased 27.64 per cent to Rs 43,232 crore as on March 31st 2019 against Rs 33689 crore as on March 31st 2019.

During the year, the share of non-micro loans to total advances stood at 13.80 per cent. The total number of banking outlets as on 31st March 2019 stood at 4,000, including 986 branches.

In January, Bandhan Bank had announced the merger of Gruh Finance with itself, which reduced the promoters' stake to about 61 per cent, from the earlier 82.3 per cent. The RBI stipulates promoter stake in the new private banks is not to exceed 40 per cent.

In September 2018, the central bank had halted any rise in Bandhan Bank CEO Chandra Shekhar Ghosh's salary and also withdrew the bank's right to open new branches on its own. This was a penalty for not having cut the stake, despite having got three years from the date it began operations to do so. The deadline ended on August 23. However, the bank could open branches by taking permission from RBI. The bank has since got RBI permission to open about 25 more branches.

Financial Express

2. Victory for RBI: Madras HC sets aside its single-judge order on NBFC registration

By: [FE Bureau](#)

RBI had argued that instead of approaching the court, there was an appeal remedy available and the companies have filed the writ petitions without approaching the appellate authority.

The division bench observed that such prayer should be considered by the appellate authority on merits and in accordance with the law. The petitioner companies include Nahar Finance & Leasing, Lodha Finance India, Senthil

In a victory to Reserve Bank of India (RBI), a division bench of the Madras High Court has set aside a single judge order that ordered restoration of Certificate of Registration (CoR) of non-banking financial companies (NBFC) cancelled by the central bank for non-compliance of the enhanced net owned fund (NOF) norms. The bench also directed the NBFCs to approach the appellate authority within 30 days and raise their concerns to get the grievances redressed.

RBI had notified an enhanced NOF holding by all NBFCs on March 27, 2015, which stipulated them to have `1 crore as NOF as of April 1, 2016 and `2 crore as of April 1, 2017. The stipulation of NOF was not maintained by several NBFCs and show-cause notices were issued by the RBI to them. RBI had cancelled the CoR of over 1,500 NBFCs for non-compliance.

Subsequently, a number of NBFCs approached the high court with writ petitions against the cancellation of CoR and the single judge bench ordered in favour of the NBFCs, directing to restore the CoRs and extending time to the companies to comply with the requirements till March 31, 2019.

Following this, RBI filed an appeal and the division bench of justice T S Sivagnanam and justice V Bhavani Subbaroyan issued an order setting aside the earlier order.

The bench, after considering various arguments from the parties, observed that the order passed by the single bench extending the time for compliance of the NOF requirement till March 31, 2019 was without jurisdiction, and consequently, liable to be interfered with.

Allowing the appeal, the court said that the writ petitions filed by the companies stand disposed and directed them to file appeal within a period of 30 days from the date of receipt of a copy of the judgment.

The court asked them to raise all contentions before the appellate authority including the contention that as of now, all of the companies which filed petition

have complied with the requirement of ` 2 crore of NOF and request the appellate authority to accept the compliance under the relevant notification to enable them to carry out their business.

The division bench observed that such prayer should be considered by the appellate authority on merits and in accordance with the law. The petitioner companies include Nahar Finance & Leasing, Lodha Finance India, Senthil

Finance and Valluvar Development Finance who argued that the stipulation by RBI was contrary to the provisions of the RBI Act, 1934 and against the principles of natural justice.

RBI had argued that instead of approaching the court, there was an appeal remedy available and the companies have filed the writ petitions without approaching the appellate authority.

While allowing the appeal by RBI, the division bench held that the writ petitions by the companies were not maintainable in the light of the statutory appeal remedy available in the statute.

Economic Times

3. NCLAT allows banks to declare defaulting IL&FS accounts as NPAs

However, the tribunal clarified that banks can not initiate recovery process and debit money

PTI|

The National Company Law Appellate Tribunal (NCLAT) on Thursday allowed the banks to declare as non-performing assets the accounts of IL&FS and its group companies that have defaulted on payments.

A bench headed by Chairman Justice S J Mukhopadhaya lifted the embargo on the banks to declare the accounts of the debt-ridden IL&FS and its 300 group entities, which are unable to pay their debt.

However, the appellate tribunal has also clarified that although the banks would declare the IL&FS accounts as NPAs but cannot initiate recovery process and debit money.

The bench has observed that lenders must not withdraw support until a resolution is found of the IL&FS and its group companies.

Presently, Infrastructure Leasing & Financial Services (IL&FS) Group companies, with a collective debt of over Rs 90,000 crore, are going through resolution process.

The NCLAT had in February prohibited banks from recognising any IL&FS group accounts as non-performing assets without first seeking approval from the tribunal.

The RBI had moved the NCLAT, filing a plea to modify the order allowing the banks to declare the defaulting accounts of IL&FS as NPAs as per the banking regulations.

The Reserve Bank of India (RBI) had contended that banks had an obligation to mark bad loans as NPA in cases of non-payment, after the default of 90 days as per the existing circular and they could not be relieved of this duty.

In this matter, earlier the NCLAT had observed that the RBI should not make it a "prestige issue" and it could not restrict it from passing orders in the issue.

The banking sector regulator had then said it was not on the question of the resolution process of the IL&FS and just wanted a modification on the order, which would allow banks to record NPAs on their books in terms of the master circular, which was also upheld by the Supreme Court.

Now, all group companies of IL&FS are being classified according to their ability to meet payment obligations.

Those able to meet all payment obligations are categorised as 'green' while companies able to meet only operational payments and senior secured debt obligations are categorised as 'amber'. Others are categorised as 'red'.

Business Line

4. EMI financing surges 10-fold in Tier III cities: ZestMoney

[Priyanka Pani](#)

The study revealed that in 2018-19, 46 per cent of the EMI financing was availed by borrowers from Tier III cities

Online consumer lending start-up ZestMoney has witnessed a 10-fold growth in equated monthly instalment (EMI) financing in Tier III cities in the last one year, bypassing the combined growth of Tier I and II cities.

Bengaluru-based ZestMoney, founded by Lizzie Chapman, Priya Sharma and Ashish Anantharaman in 2015, conducted the survey among its 50-lakh registered customers in March 2019.

"EMI financing is the key to enable the masses realise their aspirations without financial limitations. Tier II and III cities constitute a majority of the Indian population, and being able to cater to this section of our society is critical for the growth of fintech companies," said Lizzie Chapman, CEO, ZestMoney.

The study revealed that in 2018-19, 46 per cent of the EMI financing was availed by borrowers from Tier III cities, while 54 per cent was from customers in Tier I and II cities, thus reflecting the growing depth of fintech financing in India.

"Digitally-enabled lending, coupled with the penetration of data, have opened up even the smallest towns for us. We are observing a steep increase in consumers from smaller towns such as Patna, Lucknow, Indore, Bhopal, Jaipur, Ahmedabad, and other towns. Smaller cities continue to be our prime customer acquisition target for this year as well," added Lizzie.

ZestMoney is working towards improving the lives of more than 30-crore households in the country that have no access to credit cards or other formal financing options because of insufficient credit history.

ZestMoney's unique platform uses mobile technology, digital banking, and Artificial Intelligence to make life more affordable to Indian consumers.

It is backed by leading investors such as Ribbit Capital, Xiaomi, Naspers Fintech, and Omidyar Networks.

5. SBI to consider Jet staff's billion-dollar bid after May 10

[Forum Gandhi/K Ram Kumar](#)

Lender to wait for short-listed players to place binding bids

State Bank of India will consider the Rs.7,000-crore investment proposal made by employees of Jet Airways only if it does not receive an acceptable offer from any of the four entities that have been short-listed to place binding bids.

In a meeting with employee representatives on Thursday, the bank took the view that the proposal to allow the airline's management to take over the company can be considered after May 10, the last date for the short-listed players to place a binding bid.

"It was a preliminary discussion. The employees have been told to discuss with the management and come up with a comprehensive plan because currently the bid process is going on and we cannot be unfair to the bidders who have qualified," said a source aware of the development.

Last week, the employees had put forth a proposal to SBI under which they had suggested that Jet Airways be taken over by a consortium of employees and external investors.

On April 17, the airline announced a temporary shutdown due to lack of funds. It owes its lenders Rs.11,261 crore, and its employees Rs.400 crore in salary dues for 2-4 months.

US EXIM Bank pay-off plan

Meanwhile, banks are understood to be moving to strengthen their collateral so that their chances of recovery are better in case recovery proceedings are initiated against the airline.

Domestic lenders are considering paying off the US EXIM Bank Rs.400 crore to get first charge of Jet Airways' five aircraft.

"The plan is that the consortium of banks will take over US EXIM's exposure, which is only about Rs.400 crore. So, the security of five aircraft will be available, which will be more than Rs.1,500 crore," said a senior banker aware of the developments.