MAY 7 2019

# Economic focus

THE HINDU

## ICICI Bank Q4 net declines 5% to ₹969 cr.

Private sector lender's margins at all-time high; net NPA ratio falls to 2.06%, the lowest in 13 quarters

SPECIAL CORRESPONDENT
MUMBAI

Private sector lender ICICI Bank reported a 5% decline in standalone net profit to ₹969 crore during the fourth quarter of 2018-19, compared to ₹1,020 crore during the same period of the previous year. The profit for Q4 of FY18 was boosted by a one-time gain of around ₹3,300 crore from stake sale in ICICI Securities, one of its subsidiaries.

This apart, rise in expenses also impacted the bottomline in Q4, which rose 18% to ₹14,680 crore.

Asset quality of the bank improved, as gross and net NPAs declined sequentially and on a year-on-year basis. The bank's gross NPA as at end of March was ₹46,292 crore (or 6.7% of gross advances) as compared to ₹56,063 crore (8.84%) a year ago and ₹51,591 crore (7.75%) as at December end.

Net NPA ratio decreased from 2.58% on December 31, 2018 to 2.06% at March 31, 2019, the lowest in the last 13 quarters, the bank said. "Net NPAs decreased by over 50% year-on-year to ₹13,577 crore on March 31, 2019," the bank said. "We are coming to the end of the NPA cycle, NPA additions to further normalise," said Sandeep Batra, who has been appointed as the executive director by the board of the bank on Monday. The appointment, which is for five years, is subject to regulatory approvals. "We aim to have a 15% RoE by June 2020," he said. For FY19, return on equity was 3.2%.

### Gross NPA addition

The gross additions to NPA were ₹3,547 crore in Q4 2019 compared to ₹2,091 crore in the preceding quarter.

The gross NPA additions in Q4 include an account in the sugar sector.

As on March 31, 2019, the fund-based and non-fund based outstanding to borrowers rated 'BB and below' was ₹17,525 crore, which is about 3% of the bank's loan book.

The bank-made provisions were ₹5,451 crore during the reporting period as compared to ₹6,626 crore a year earlier. Provisioning remained elevated due to ageing of previously identified non-performing loans.

The bank's provision coverage ratio improved to 70.6% as on March 2019, excluding technical write-offs, as compared to 47.7% at March 31, 2018.

Backed by 17% growth in domestic advances, the net interest income (NII) increased by 27% year-on-year to ₹7,620 crore, which includes ₹414 crore of interest on income tax refund.

The net interest margin was 3.72% in Q4-2019, the highest ever for the bank, compared to 3.4% in the preceding quarter.

**Tough quarter**


We are coming to the end of the asset quality cycle and non-performing asset additions are expected to normalise

SANDEEP BATRA, Executive Director, ICICI Bank

| Metrics | Q4 FY19 | Q4 FY18 | Growth (%) |
|---|---|---|---|
| Net interest income (₹ cr.) | 7,620 | 6,022 | 26.53 |
| Net profit (₹ cr.) | 969 | 1,020 | (5) |
| EPS (₹) | 1.5 | 1.59 | |
| Dividend (₹) | 1 | 0 | |
| GNPA(%) | 6.7 | 8.84 | |

***Important points in this Articles***

1. Private sector lender ICICI Bank reported a 5% decline in standalone net profit.
2. Asset quality of the bank improved.
    - **a.** The gross and net NPAs declined sequentially and on a year-on-year basis.
    - **b.** The bank's gross NPA as at end of March was ₹46,292 crores (or 6.7% of gross advances) as compared to ₹56,063 crores (8.84%) a year ago and ₹51,591 crores (7.75%) as at December end.

# RBI raises cap on home loans by SFBs, RRBs

## Such loans to get priority sector tag

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) has increased the eligibility cap on home loans extended by regional rural banks and small finance banks to ₹35 lakh in metropolitan areas and ₹25 lakh in other centres, provided the overall cost of the dwelling unit in the metropolitan centres and other centres does not exceed ₹45 lakh and ₹30 lakh.

All such loans will be now classified by these banks as priority sector loans.

In addition, the existing family income limit of ₹2 lakh per annum to be eligible for loans for housing projects exclusively for construction of houses for Economically Weaker Sections (EWS) and Low Income Groups (LIG), is revised to ₹3 lakh per annum for EWS and ₹6 lakh per annum for LIG, in alignment with the income criteria specified under the Pradhan Mantri Awas Yojana, the RBI said.


The change in family income limit is as per income criteria specified under PMAY.

THE HINDU



***Important points in this Articles***

***RBI:***

1. The eligibility cap on home loans has increased.
   - This cap is also extended on regional rural banks and small finance banks to ₹35 lakhs in metropolitan areas and ₹25 lakhs in other centers.
   - The overall cost of the dwelling unit in the metropolitan centers and other centers does not exceed ₹45 lakhs and ₹30 lakhs.
   - All such loans will be now classified by these banks as priority sector loans.
2. In alignment with the income criteria specified under the Pradhan Mantri Awas Yojana:
   - The existing family income limit of ₹2 lakhs per annum to be eligible for loans for housing projects exclusively for the construction of houses for Economically Weaker Sections (EWS) and Low Income Groups (LIG), is revised to ₹3 lakhs per annum for EWS and ₹6 lakh per annum for LIG.

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# IOB to raise ₹850 crore this fiscal via asset sale

## Lender identifies 32 properties for sale

SPECIAL CORRESPONDENT
CHENNAI

Public sector lender Indian Overseas Bank (IOB) is planning to raise about ₹850 crore in the current fiscal through sale of non-core assets, including property and investments, to augment its capital.

As per the plan, IOB has been exploring options for stake sale in joint venture/ other entities to augment resources, which could help raise more than ₹445 crore, the bank said in a regulatory filing.

The bank was looking at 'all avenues' to improve its capital position and was actively pursuing monetisation of its non-core assets, the statement said.

As part of its strategy to unlock assets to raise capital, the bank has identified 32 properties for sale, including prime properties in Singapore and Hong Kong aggregating to ₹900 crore.

In 2018-19, the bank sold six properties – one domestic and five overseas – for ₹129 crore which helped in accretion to capital.

The bank has initiated the process for selling the remaining 26 properties, valued at about ₹775 crore, and has engaged various stakeholders for expediting the sale and to derive 'maximum value' in the process, the statement said. The lender has also started the process of selling non-core investments worth ₹72 crore.

### *Important points in this Articles*

1. ***P***ublic sector lender Indian Overseas Bank (IOB) is planning to raise about ₹850 crores in the current fiscal.
2. ***Why?***
   - To augment its capital.
3. ***How?***
   - Through the sale of non-core assets, including property and investments.
   - According to the Bank:
     i. IOB has been exploring options for stake sale in joint venture/other entities to augment resources. [Which could help raise more than ₹445 crores]
     ii. The bank has identified 32 properties for sale, including prime properties in Singapore and Hong Kong aggregating to ₹900 crores.

### *NOTE*

- In 2018-19, the bank sold six properties:
  - One domestic and five overseas [for ₹129 crores]

# No coercive action against VW, orders SC

THE HINDU

PRESS TRUST OF INDIA
NEW DELHI

The Supreme Court on Monday restrained the Centre from taking any "coercive" step against German auto major Volkswagen for non-submission of the ₹500 crore fine imposed by the National Green Tribunal for damaging the environment through use of a "cheat device" in its diesel cars in India.

The court order came on the eve of the deadline set by the NGT for Volkswagen India Private Limited, the Indian arm of the auto major, to deposit the fine with the Central Pollution Control Board (CPCB). The firm has already deposited ₹100 crore with the CPCB.



***Important points in this Articles***

***The Supreme Court:***

- Restrained the Centre from taking any "coercive" step against German auto major Volkswagen for non-submission of the ₹500 crore fine imposed by the National Green Tribunal for damaging the environment through the use of a "cheat device" in its diesel cars in India.

# U.S. can't ensure cheaper oil for India, says Ross

THE HINDU

## 'Oil is owned by private people'

PRESS TRUST OF INDIA
NEW DELHI

The U.S. on Monday said it could not ensure the sale of its crude oil to India at concessional rates to make up for the cheaper Iranian oil going out of the market.

"Oil is owned by private people, so the government cannot force people to make concessionary price," U.S. Commerce Secretary Wilbur Ross told reporters.

India, this month, stopped importing crude oil from Iran following the U.S. move to end sanction waivers.

Iranian oil was a lucrative buy for Indian refiners as the Persian Gulf nation had provided 60 days of credit for purchases, terms not available from suppliers of substitute crudes – Saudi Arabia, Kuwait, Iraq, Nigeria, and the U.S.

"Iran is a problem, if you have seen recent terrorism incidents, and we should be doing whatever we can against terrorism," Mr. Ross told reporters after meeting Finance Minister Arun Jaitley.

**'Will solve issues'**

Separately, after a meeting between Mr. Ross and Union Commerce Minister Suresh Prabhu, the Indian government said the U.S. and India stand committed to resolve outstanding trade issues by "exploring suitable solutions which are mutually beneficial."

***Important points in this Articles***

***The U.S.***

- It could not ensure the sale of its crude oil to India at concessional rates to make up for the cheaper Iranian oil going out of the market.
- Oil is owned by private people, so the government cannot force people to make a concessionary price.

***India:***

- The U.S. and India stand committed to resolve outstanding trade issues by "exploring suitable solutions which are mutually beneficial."

***NOTE***

1. India, this month, stopped importing crude oil from Iran following the U.S. move to end sanction waivers.
2. Iranian oil was a lucrative (gainful) buy for Indian refiners as the Persian Gulf nation had provided 60 days of credit for purchases, terms not available from suppliers of substitute crudes — Saudi Arabia, Kuwait, Iraq, Nigeria, and the U.S.

# Over 100 U.S. firms to join Dept. of Commerce on trade visit to India

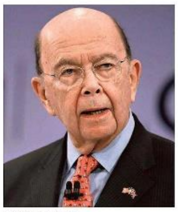
## Trade Winds to feature 3-day business forum in New Delhi

THE HINDU

SPECIAL CORRESPONDENT
MUMBAI

The U.S. Commercial Service will bring more than 100 U.S. companies to India as part of the U.S. Department of Commerce's largest annual trade mission program, Trade Winds.

Trade Winds Indo-Pacific features a three-day business forum in New Delhi, with additional trade mission stops in Ahmedabad, Chennai, Kolkata, Mumbai, Bengaluru, Hyderabad, and Bangladesh. At each mission stop, the attending companies will meet directly with government leaders, market experts and pre-vetted potential business partners, the U.S. Consulate said in a statement.



Wilbur Ross

"Our goal at the U.S. Department of Commerce is to use every available resource to ensure fair and reciprocal trade for U.S. businesses selling their products and services all over the world," said U.S. Secretary of Commerce Wilbur Ross. "Trade Winds is an important component of these efforts."

Trade Winds, now in its 11th year, has directly supported more than $3.4 billion in U.S. exports in over 40 countries, and in 2018, U.S. exports of goods and services to the Indo-Pacific were more than $476 billion. "The potential for growth in U.S.-India trade is enormous given the size of our economies," said Kenneth I. Juster, U.S. Ambassador to India. "Exports of U.S. goods and services to India reached $58.9 billion in 2018. I look forward to hearing of future successes from the companies taking part in Trade Winds."


### *Important points in this Articles*

1. Trade Winds - Indo Pacific Forum & Mission 2019
2. ***Hosted by:***
   - U.S. Department of Commerce
3. ***Date(s):***
   - Wednesday, May 8, 2019 (All day) to Friday, May 10, 2019 (All day)
4. ***Location:***
   - New Delhi, Ahmedabad, Chennai, Kolkata, Mumbai, Bengaluru, Hyderabad, and Bangladesh.

# Discom debt to return to pre-UDAY levels

## State-owned power generation firms have to become commercially viable: Crisil

SPECIAL CORRESPONDENT
MUMBAI

Aggregate external debt of State-owned electricity distribution companies (discoms) is set to increase to pre-Ujwal Discom Assurance Yojana (UDAY) levels of ₹2.6 lakh crore by the end of this fiscal, according to Crisil's analysis of discoms in 15 States, which account for 85% of the aggregate losses.

With most States having limited fiscal headroom, continuous financial support to their discoms may be difficult. So discoms have to become commercially viable through prudent tariff hikes and a material reduction in aggregate technical and commercial (AT&C) losses, said the Crisil statement.

**No bailout:** Tariff hikes and a reduction in AT&C losses is the way forward for State discoms, says Crisil. ▪P.V. SIVAKUMAR

As per the MoUs States had signed under UDAY in fiscal 2016, their discoms were to initiate structural reforms by reducing AT&C losses by 900 basis points (bps) to about 15% in fiscal 2019, and also implement regular tariff hikes of 5-6% per annum. In lieu, State governments took over three-fourths of discom debt, thus reducing the interest cost burden. While discoms enjoyed the benefit of debt reduction, structural reforms have been slow to come by.

For instance, AT&C losses reduced by only 400 bps by December 2018 from pre-UDAY levels and the average tariff increase were a paltry 3% per annum.

**'Potential for losses'**

"Further improvement in operations may face challenges because the focus on new rural connections without adequate tariff hikes can increase losses," said Subodh Rai, senior director, Crisil Ratings.

"Add to that the funding needs for budgeted capital expenditure, and the external debt of discoms would balloon to about ₹2.6 lakh crore by the end of fiscal 2020." That arithmetic is based on the assumption of average tariff increase of 2%, and partial funding of losses through State grants.

THE HINDU

### *Important points in this Articles*

***According to Crisil's analysis***

1. The analysis of discoms in 15 States accounts for 85% of the aggregate losses.
2. Aggregate external debt of State-owned electricity distribution companies (discoms) is set to increase to pre-Ujwal Discom Assurance Yojana (UDAY) levels of ₹2.6 lakh crore by the end of this fiscal.

***NOTE***

1. Most States having limited fiscal headroom, continuous financial support to their discoms may be difficult.
   - So discoms have to become commercially viable through prudent tariff hikes and a material reduction in aggregate technical and commercial (AT&C) losses.
2. As per the MoUs States had signed under UDAY in fiscal 2016, their discoms were to initiate structural reforms by reducing AT&C losses by 900 basis points (bps) to about 15% in fiscal 2019, and also implement regular tariff hikes of 5-6% per annum.
   - In lieu, State governments took over three-fourths of discom debt, thus reducing the interest cost burden.
   - While discoms enjoyed the benefit of debt reduction, structural reforms have been slow to come by.