

NBFC liquidity crisis: Securitisation hits record volumes in Q1

Deals grew 56% to ₹50,300 crore, the highest for any quarter, says ICRA

OUR BUREAU
Mumbai, July 15

The securitisation market clocked the highest issuance volumes seen in the first quarter of any financial year at ₹50,300 crore in the April-June (Q1) 2019 quarter, recording a 56 per cent year-on-year (y-o-y) jump over the same period in the previous fiscal, according to credit rating agency ICRA.

The agency said the securitisation market continues to soar as the liquidity crisis in the non-banking finance companies (NBFC) sector — the key originator segment in the securitisation market — shows no immediate sign of abating.



NBFCs and HFCs continue to rely heavily on securitisation as a tool for raising funds and managing liquidity ISTOCK/SESAME

The securitisation volumes were ₹32,300 crore in Q1 FY2019 and ₹1.99-lakh crore for the entire FY2019.

Managing liquidity
“NBFCs and HFCs (housing finance companies) continue

ring a few entities with a strong credit profile),” said Vibhor Mittal, Group Head, Structured Finance Ratings, ICRA.

Banks (especially public sector banks) continue to remain the largest investor segment demonstrating a strong appetite for acquiring both priority sector lending (PSL) and non-PSL assets through retail loan portfolio buyouts, he added.

Transaction types
The agency, in a statement, said the securitisation market in India can be segregated into two types of transactions — rated Pass Through Certificate (PTC) transactions, and unrated Direct Assignment (DA) transactions (bilateral assignment of pool of retail loans from one entity to another).

ICRA estimates said the PTC transaction volumes in-

creased by a whopping 95 per cent to ₹22,000 crore (₹11,300 crore in Q1 FY2019), while the volumes for DA transactions increased by around 35 per cent to ₹28,300 crore (₹21,000 crore in Q1 FY2019).

“It is notable that the market volumes have increased despite lukewarm participation from a few originators (that have traditionally been large and active participants) due to their weakened credit profile, that may also have impacted their ability to securitise,” the statement said.

Asset classes
Mortgage loans constituted the largest asset class in the DA market with around 46 per cent share in Q1 FY2020. Other asset classes such as micro loans (around 20 per cent share) and vehicle loans (around 17 per cent share) continued to receive strong

Shriram Transport to raise up to ₹10,000 cr via NCDs

OUR BUREAU
Chennai, July 15

Shriram Transport Finance Company (STFC) plans to raise up to ₹10,000 crore by issuing secured redeemable non-convertible debentures (NCDs).

The proposed funds will be used for onward lending, financing and for repayment/prepayment of interest and principal of existing borrowings of the company and for general corporate purposes.

It is proposing a public issue of NCDs of face value ₹1,000 each. The company is coming out with its tranche 1 issue of NCDs having a base size of ₹300 crore with an option to retain over subscription aggregating up to ₹10,000 crore which is the shelf-limit, according to a statement.

Options of investment ten-

ors are 30 months with annual interest payment option and 42, 60 and 84 months, with monthly, annual and cumulative interest payment options.

These NCDs, bearing a fixed rate of interest, are being offered under 10 different series:

The tranche 1 issue will open for subscription on Wednesday (July 17) and is scheduled to close on August 16 with an option of early closure or extension, as may be decided by the Board or the duly constituted committee thereof.

The proposed NCDs under the tranche 1 issue have been rated ‘AA+; Stable’ by CARE, Crisil and India Ratings. The NCDs are proposed to be listed on the NSE and the BSE and the NSE shall be the designated stock exchange.

DHFL plunges 29 per cent on concerns over company’s survival

OUR BUREAU
Mumbai, July 15

The stock of cash-strapped Dewan Housing Finance Corporation (DHFL) plunged 29 per cent to close at ₹48.50 apiece on the BSE on Monday as the company said its ability to raise funds has been substantially impaired and the business has been brought to a standstill with there being minimal/virtually no disbursement.

Intra-day, the DHFL stock hit a 52-week low of ₹46.70 apiece.

The company, in its notes to accounts to the fourth quarter results, also said these developments may raise a significant doubt on its ability to continue as a going-concern.

DHFL, which declared its fourth quarter results on Saturday, reported a huge loss of ₹2,223 crore against a net profit of ₹134 crore in the year-ago period.

The company said its Audit

Committee has directed the management to place the annual audited Ind AS standalone and consolidated financial results for the fourth quarter/year ended March 31, 2019 under Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, along with the joint statutory auditors report on or before July 22, 2019.

The date of the board meeting to consider and approve the audited Ind AS standalone and consolidated financial results for the fourth quarter/year ended March 31, 2019 will be accordingly intimated to stock exchanges.

DHFL, in a statement, said: “We are closely working with the stakeholders/creditors to ensure that there is a comprehensive resolution, without any haircut to the lenders, as has been speculated by few sections of the media.”

Reiterating what it said in

UK banks say business investment slowing further ahead of Brexit

REUTERS
London, July 15

Britain's major banks have seen a growing number of business customers delay decisions on investments and borrowing in recent weeks, as the probability of a disorderly exit from the European Union inches higher.

Britain's banks have largely played up the resilience of businesses since the June 2016 referendum decision to leave the EU, but senior executives speaking to Reuters say that in recent weeks they have seen a dip in firms' activity levels.

The country's largest lenders — Royal Bank of Scotland (RBS), Lloyds, Barclays, HSBC, and the UK arm of Spain's Santander — are all set to publish half-year results in the coming weeks, with investors watching for any signs of strain.

An executive at a second bank said more big corporates were delaying investment decisions, with the conversion rate of the bank's potential new commercial business pipeline falling from 70 per cent to 50 per cent in recent months, although lending to smaller firms was holding up.

The executives said they were preparing for a potentially disorderly Brexit, including refining 'early warning' systems to identify struggling clients and spot possible weak links in their supply chains.

Banks are also braced for an expected spike in costs for meeting claims for mis-sold insurance known as PPI, which has already cost more than £35 billion (\$44 billion), ahead of an August deadline for claims.

Britain's economy grew more than expected in May, according to official statistics published last week, but economists warned the outlook remained weak.

Getting on with it
Small businesses in Britain are planning the least investment in two years, a survey by the Federation of Small Businesses found this month.

One bank executive said communication efforts with business customers about potential Brexit disruption had been stepped back up after a lull following the extension of the original departure date from March 29.

Britain's State-backed RBS has committed £5 billion of its £6 billion small business

The Bank of England stands in the city of London square mile financial district. There are fears that the UK's pending divorce from the European Union will cause a precipitous decline of London as the undisputed financial capital of Europe

Note of honour for WW-II code-cracker



Mark Carney, Governor of the Bank of England, speaks during a news conference to announce scientist Alan Turing as the character to be displayed on the new 50-pound note in Manchester, UK, on Monday. Turing's electro-mechanical machine, a forerunner of modern computers, unravelled the “unbreakable” Enigma code used by the Nazis. The new polymer note, highest in denomination, is expected to enter circulation by the end of 2021 BLOOMBERG

SC declines to hear PIL alleging fraud in LIC’s ‘Jeevan Saral’ policy

PRESS TRUST OF INDIA
New Delhi, July 15

The Supreme Court on Monday refused to entertain an organisation's plea which alleged that Life Insurance Corporation (LIC) misled and cheated lakhs of its customers through its 'Jeevan Saral' insurance policy.

A bench comprising Chief Justice Ranjan Gogoi and Justice Deepak Gupta took note of the submission of Solicitor General Tushar Mehta, appearing for LIC, that a PIL under Article 32 of the Constitution should not be entertained as some of the aggrieved insurance purchasers have also been made parties to the plea. Moreover, the aggrieved insurance purchasers can also approach the consumer courts for redressal of their grievances, the law officer said.

The bench, however, said the petition was “dismissed”, leav-

ing the petitioners with the option to avail of other remedies in law. “We make it clear that we have not expressed any opinion on the merits of the case,” the bench said. Mehta said LIC takes approval from the Insurance Regulatory and Development Authority of India (IRDAI) before rolling out a policy and there was a mechanism to deal with grievances.

As per the plea, the proposal form of the scheme did not have any provision to mention the lower maturity sum assured; rather it had a provision only for the higher death benefit.

The maturity benefit was not printed on the policy documents, and the customers may get lesser amount than the total premium paid, the plea alleged.

The plea sought return of the premium paid by policy-holders with 8 per cent interest.

Repco MFI wins award from Nabard for SHG linkage in TN

OUR BUREAU
Chennai, July 15

Repco Micro Finance, an NBFC-MFI promoted by Repco Bank, announced on Monday that it has received Nabard's award for outstanding performance in terms of self-help group (SHG) linkage in Tamil Nadu for 2018-19.

The Chennai-headquartered micro finance institution currently operates from 90 branches in Tamil Nadu and Puducherry and has an employee strength of about 600 people.

Repco Micro Finance has provided SHG loans worth ₹3,600 crore to over 12 lakh individual beneficiaries through 60,000 SHGs since its establishment in 2007, a statement from the micro lender said.

RBI slaps ₹7-cr penalty on SBI

OUR BUREAU
Mumbai, July 15

The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹7 crore on State Bank of India.

The penalty is for non-compliance with the directions issued by the RBI on Income Recognition and Asset Classification (IRAC) norms, code of conduct for opening and operating current accounts and reporting of data on Central Repository of Information on Large Credits (CRILC) and fraud risk management and classification and reporting of frauds, the central bank said in a statement.

“This penalty has been imposed in exercise of powers vested in RBI under.... the Banking Regulation Act, 1949. This action is based on deficiencies in regulatory compliance and is not intended to pronounce

upon the validity of any transaction or agreement entered into by the bank with its customers,” the RBI said.

“After considering the bank's reply and oral submissions made in the personal hearing, RBI came to the conclusion that the aforesaid charges of non-compliance with RBI directions were substantiated and warranted imposition of monetary penalty,” the statement said.

Among the disclosure of penalties made by SBI in its annual report for FY2019, the bank said RBI imposed a penalty of ₹1 crore on it for not monitoring the end-use of funds in respect of one of its borrowers.

Further, RBI imposed a penalty of ₹1 crore on the bank for non-compliance with the directions issued by the regulator on SWIFT-related operational controls.

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(Formerly IDFC Bank Limited)

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NOTICE

Pursuant to Regulation 29 read with Regulation 47(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, notice is hereby given that a Board Meeting of IDFC FIRST Bank Limited (*erstwhile IDFC Bank Limited*) (the 'Bank') will be held on **Wednesday, July 24, 2019** at Chennai to *inter-alia* discuss and approve, among other items, the Unaudited Financial Results (subjected to Limited Review by Auditors) of the Bank for the quarter ended June 30, 2019.

The Board Meeting intimation as sent to the Stock Exchanges shall be uploaded on the bank's website i.e. www.idfcfirstbank.com. The outcome of the Board Meeting along with the Unaudited financial results as approved by the Board of Directors in the said Meeting shall also be made available on the website of the Bank i.e. www.idfcfirstbank.com and on the website of the Stock Exchanges i.e. BSE Ltd. (www.bseindia.com under the Security Code: 539437) and National Stock Exchange of India Ltd. (www.nseindia.com under the Symbol: IDFCFIRSTB) where the Bank's securities are listed.

The Trading Window for dealing in the Securities of the Bank has been closed for Insiders from Monday, July 01, 2019 till Friday, July 26, 2019 (both days inclusive) as per Code of Conduct for Prohibition of Insider Trading of the Bank.

By order of the Board of Directors
For IDFC FIRST Bank Limited
(Formerly known as IDFC Bank Limited)
Sd/-
Satish Gaikwad
Head - Legal & Company Secretary

Place: Mumbai
Date: July 15, 2019

