

Industry

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India Banking Bits

 Equity
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- **In News Today** — Reliance Life is reportedly in talks with China Life for a pre-IPO placement and also in discussions with a PE player for a 15% stake sale; Jaspal Bindra, CEO, StanC's Asia division has been appointed to the bank's global board of directors; He discusses the bank's strategy in India; Keki Mistry highlights that bank interest rates are likely to remain easy for the next few quarters; IIP rose 10.3% in October - was lesser than expectations - suggesting that RBI may wait for more signs of economic recovery before raising rates.
- **China Life may help in pre-IPO placement** — Reliance Life is in talks with Chinese insurance giant China Life for a pre-IPO placement. The ADAG group company is also in discussions with a private equity player for a total placement of 15 per cent stake. The private insurer has been contemplating public offer for over six months now and is awaiting a government waiver to allow the IPO. (Business Standard. Dec 14).
- **I/V with Jaspal Bindra, CEO, Standard Chartered's Asia division - 'My elevation is recognition of India's importance'** — Standard Chartered Bank today announced the appointment of Jaspal Bindra to the bank's global board of directors. Bindra, at present CEO, Asia, will keep his focus on growth and governance in Asia as Group Executive Director. He discusses the bank's exposure to Dubai, IDR issue plans, branch expansion plans etc. (Business Standard. Dec 12).
- **'Interest rates to remain easy for coming quarters'** — Bank interest rates are likely to remain easy for sometime and continue to sustain present levels for the next few quarters, predicted Keki Mistry. "There is high liquidity in the banking system and the corporate demand for credit has been less. Therefore, the interest rates will remain easy for some time," he said. (Financial Express. Dec 12).
- **Industrial production growth falls short; RBI may hold off rate rise** — India's industrial production grew less than forecast, suggesting the central bank may wait for more signs of economic recovery before raising interest rates. (Live Mint. Dec 11).
- **Prior RBI nod to be a must to buy 5% or more stake in banks** — The government is considering a proposal that will make prior approval of the RBI mandatory for acquiring 5% or more stake in a banking company, Parliament was informed on Friday. (Financial Express. Dec 12).

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Industry

Banks shy away from uniform interest rates

Existing home loan borrowers are unlikely to get any respite from their high interest burden even as banks continue to dole out attractive rates on new mortgages. A uniform rate to all borrowers is difficult to achieve as it could seriously impact banks' profitability, according to bankers. (Live Mint. Dec 11).

Credit card issuers face interest curbs

High interest charged by credit card providers has caught the eye of the law makers. A key Parliamentary Standing committee has recommended that all financial charges levied by credit card companies should not be left open-ended and at the discretion of the banks, creating pressure on the RBI to regulate the credit card market more closely. (Economic Times. Dec 14).

RBI plans new rule for fund raising by holding cos

Indian corporates that have borrowed aggressively through investment arms and holding firms to fuel growth will soon run into a speed breaker. The Reserve Bank of India, it's learnt, will come out with a new rule for such investment companies that are largely outside the regulator's radar. The central bank's concern stems from the disproportionately high fund-raising by these companies with shallow capital base. (Economic Times. Dec 14).

Bank employees to go on strike on December 16

Bank employees are planning to go on strike on December 16 during the Parliament Session against banking sector reforms such as privatisation of public sector banks (PSBs) and closure and merger of associate banks/other PSBs with State Bank of India. All India Bank Employees Association and the All India Bank Officers Association, which called for the strike, said bank employees and officers in public sector banks, private banks and foreign banks will observe an all-India strike on December 16. (Business Standard. Dec 14).

Centre invites bank unions, IBA for talks to avert strike

The Centre has invited bank unions and Indian Banks' Association (IBA) for conciliatory talks in an apparent bid to avert the all-India strike on December 16. The conciliatory meeting, which will be chaired by the Deputy Chief Labour Commissioner, Mr N.K. Prasad, will take place on December 15 (Tuesday), sources said. (Business Line. Dec 12).

Post office deposits surge on interest, safety scores

In the first half of the current financial year (April to September 2009), total investments in various postal deposit schemes surged by a robust 32 per cent at Rs 792b. In the corresponding period last year, deposits grew 21 per cent, by Rs563b. Aggregate deposits of scheduled commercial banks grew 7.5 per cent (Rs2.86t) in the April 1 to September 25, 2009 period, according to RBI data. (Business Line. Dec 11).

LIC agents call for scrapping Swarup panel recommendations

Protesting against the recommendations of the Swarup Committee to cut agents' commissions, a large group of agents employed with the state insurer Life Insurance Corporation staged a protest at Jantar Mantar in the Capital on

Friday. The agents, who submitted a memorandum to the Finance Minister, said that they would take the agitation further across the country if their demands were not granted. (Business Line. Dec 11).

Banks / Financial Institutions

PNB: RBI may cut credit target again

State-owned Punjab National Bank (PNB) aims to achieve credit growth of 17 per cent in 2009-10, but the pick-up in credit since October was “not very significant”, Executive Director Mohan Tanksale said on Friday. “I am afraid that Reserve Bank of India may revise its credit growth target even lower in the January policy. We are still hopeful that PNB will achieve credit growth of more than 17 per cent,” he said. (Business Standard. Dec 13).

I/V with Mr SK Goel, CMD, UCO Bank - UCO Bank bullish on retail loans

UCO Bank is hopeful of mopping up good business. In an interview, Mr S.K. Goel spoke on the roadmap for growth and a slew of new products the bank plans to launch. He discusses the credit growth that the bank has witnessed, sectors that they are focussing on, target for FY10, capital raising plans, interest rate movements, plans to launch credit cards etc. (Business Line. Dec 13).

FII's go on BSE stake buying spree

Foreign institutional investors (FIIs) have been loading up on shares of the Bombay Stock Exchange Ltd (BSE), driving the price up to Rs300 from around Rs180 apiece in the last six months, as the bourse prepares to list itself. “I am told foreign institutions are buying BSE’s shares,” Madhu Kannan, the bourse’s managing director (MD) and chief executive officer (CEO), told Mint. “There is no way for us to verify, but I also hear shares of the exchange are currently selling for around Rs300 each.” (Live Mint. Dec 11).

Aditya Birla Group to hive off financial services

The Aditya Birla Group is planning to hive off all its financial services businesses that are at present subsidiaries of Aditya Birla Nuvo into one holding company. “We are already on the job and a new holding company for the financial services will be in place in couple of months,” Ajay Srinivasan, CEO, Aditya Birla Financial Services said. (Financial Express. Dec 14).

Opinions

The optical illusion of 70% provision coverage

Banks have been distinctly unhappy with the move because they would need to set aside a huge amount of money to achieve the 70% coverage and this would hurt their profitability. They lobbied hard and forced the central bank to soften the blow on their profitability when RBI issued a formal notification in early December. They are allowed to take into consideration written-off accounts while computing the coverage. This has made the move virtually meaningless. (Live Mint. Dec 13).

Indian exchanges spend more to speed up trading

India may still be in the early adoption phase as far as algorithmic trading goes, but its stock exchanges are making large investments to facilitate its progress. Some of the investments are directed at reducing latency, which is the time delay in data being transmitted from the exchange server to that of the member broker as well as the time taken for a member's order to reach the exchange's system. Low latency is critical for algorithmic trading, and exchanges, brokers and traders worldwide are investing millions of dollars to enhance trading efficiency. (Live Mint. Dec 14).

Heavy redemption pressure hits MFs

Heavy redemptions have taken a toll on mutual funds' activity in the market. In spite of a stellar rise in equities this year, MFs have not been able to ride the wave and are instead selling stocks to meet redemption pressures. These funds sold Rs6.97b of shares in November and Rs47.1b taken together during this calendar year. This is when FIIs have bought close to \$4.8 billion or Rs223b (according to provisional data on the Bombay Stock Exchange) during this calendar year. (Business Standard. Dec 14).

Insurance firms emerge a major force on the bourses

Insurance companies have become a major force in Indian stock markets with the growing popularity of their market-linked plans. The insurance industry today manages equity assets of nearly Rs2.7t, based on data from the Life Council of India and the Life Insurance Corporation. The insurance industry's assets are almost a third of the Rs7.55t that foreign institutional investors manage (source: SEBI) and actually higher than the Rs2.05t managed by equity mutual funds till end-November. (Business Line. Dec 12).

Appendix A-1

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