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Dear Comrades,

3rd October , 2016

News of Interest 3rd Oct

QUOTE OF THE DAY

“SET YOURSELF EARNESTLY TO SEE WHAT YOU ARE MADE TO DO, AND THEN SET YOURSELF EARNESTLY TO DO IT

”PHILLIPS BROOKS

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Business Standard

1. Arundhati Bhattacharya gets a year's extension as SBI chief

She took over as first woman to head country's largest bank, with which she has had a 36-year association

BS Web Team

Arundhati Bhattacharya, who took over as Chairperson and Managing Director of the State Bank of India, and was due to retire in early October, has been granted a year's extension.

Bhattacharya, who took over as the first woman to head the country's largest bank and an India-based Fortune 500 company on October 7, 2013, had joined the bank in September 1977, as a probationary officer at age 22.

She has held several positions during her 36-year career with the bank, including working in foreign exchange, treasury, retail operations, human resources and investment banking.

This included positions like chief executive of the bank's merchant banking arm State Bank of India Capital Markets; chief general manager in charge of new projects. She has also served at the bank's New York office.

She has been involved in the launch of several new businesses such as SBI General Insurance, SBI Custodial Services and the SBI Macquarie Infrastructure Fund.

2. Will RBI press the pause button on Tuesday?

Anup Roy

For the first time in its history, the Reserve Bank of India's (RBI) monetary policy will be decided by a six-member committee and not by the governor alone. However, the data points that the committee will be looking at would be no different. Here are some select data heads that would determine the outcome of the policy.

Gauging by the graphs here, the data set is supportive of a rate cut. But many economists say a rate cut is not warranted, as favourable data points are a relatively new trend and the central bank would do well to observe the trend taking hold before moving for a rate cut.

Besides, a rate cut at this point, just before the maturity of \$26-billion FCNR (B) deposits, would go wasted. Six out of the 10 participants in a *Business Standard* poll of economists, bankers and market participants said the RBI may pause this time, but a rate cut in December is inevitable.

3. RBI policy, macroeconomic data key for markets this week

PMI data on manufacturing and services sector would also influence trading

Press Trust of India

Outcome of the RBI policy meeting on Tuesday and macroeconomic data would set the trading sentiment in the stock market this week, say experts.

"Expectation of rate-cut and development on the geopolitical front will dominate trading sentiments this week. The major domestic event this week is the RBI monetary policy meeting scheduled on Tuesday," said Vijay Singhania, Founder Director, Trade Smart Online.

Interest rate sensitive sectors will remain in focus ahead of RBI's monetary policy meeting, he added.

Auto stocks will be under the spotlight amid monthly sales data announcement.

Markets would keenly monitor the outcome of the meeting of the newly-constituted Monetary Policy Committee (MPC) headed by RBI Governor Urjit Patel on Tuesday.

"The street is waiting in the near-term for policy directives which will probably be the trigger for short-term moves in the market," said Jimeet Modi, CEO, SAMCO Securities.

Moreover, on macroeconomic front, PMI data on manufacturing and services sector would also influence trading.

"With US jobs data and RBI monetary policy scheduled for this week, investors' focus is expected to back into macros soon," said Anand James, Chief Market Strategist, Geojit BNP Paribas Financial Services.

On the global front, the US non-farm payrolls report for September would come on Friday.

Over the past week, the BSE benchmark Sensex ended at 27,865.96, a heavy loss of 802.26 points or 2.80 per cent.

4. SBI, PNB may pick stake in Rs 500 crore credit enhancement fund

Government is considering roping in two-three banks, including SBI and PNB, to pick up stake in IIFCL-anchored Rs 500-crore Credit Enhancement Fund announced by Finance Minister Arun Jaitley in the budget this year.

By: PTI

Government is considering roping in two-three banks, including SBI and PNB, to pick up stake in IIFCL-anchored Rs 500-crore Credit Enhancement Fund announced by Finance Minister Arun Jaitley in the budget this year.

Besides, the Finance Ministry has requested insurance regulator Irdai to provide an exemption to allow LIC to hold beyond 15 per cent stake in the proposed venture, which is expected to be registered as the Alternate Investment Fund (AIF).

The exemption has been sought because Irdai guidelines allow an insurer not to have more than 15 per cent stake in any company as it leads to conflict of interest.

To address regulatory concerns, the government has asked India Infrastructure Finance Company (IIFCL) to spearhead the setting up of the fund since the wholly-owned government infra funding company has the requisite expertise and runs its credit enhancement scheme.

Talks are also on with 3-4 large banks, including SBI and PNB, to pick stake in the venture, sources said.

At the same time, some multilateral funding agencies like ADB and the private sector funding arm of the World Bank, IFC, has been approached for partnership in the initiative, the sources said, adding that the intention is to have a broader shareholding pattern.

In his budget speech, Jaitley had proposed that LIC will set up a dedicated fund to provide credit enhancement to infrastructure projects.

The fund would help in raising credit rating of bonds floated by infrastructure companies and facilitate investment from long-term investors.

The move assumes significance as infrastructure firms find it difficult to raise adequate funds at competitive rates which are needed for projects with long gestation.

Companies issued Rs 4.13 lakh crore of bonds in 2014-15, according to a report by the Reserve Bank. The central bank is in favour of a separate regulatory framework for providing credit enhancement by non-banking finance companies to bolster bond ratings.

5. 'See 90-bps monsoon boost to consumption led by rural areas'

Consumption, which is expected to rise by about a percentage point to 8.3 per cent, says credit rating agency Crisil.

By: PTI

Rural incomes are set to surge on best monsoons in 3 years and boost consumption, which is expected to rise by about a percentage point to 8.3 per cent, says credit rating agency Crisil.

"This time around, the consumption story will have two legs instead of just the urban engine on which it has ducked out in the past two years. We see private consumption rising 0.90 per cent to 8.3 per cent this fiscal," Crisil chief economist Dharmakirti Joshi said in a note today.

The agency said half of the 33 per cent districts having deficient rainfall this year have good irrigation facilities, while many others are not important from an agricultural perspective.

"The despondency of the past two monsoons has given way to sanguinity," he said, adding that rural incomes will push the demand for automobiles and consumer durables.

The Meteorological Department had for this year predicted normal Southwest monsoons, crucial for large parts of the country.

Authorities had announced last week that the season ended with 3 per cent deficiency in rainfall, which is classified as normal.

Joshi said the situation this year is better than the previous two years, which witnessed 49 per cent and 46 per cent of the districts reporting rainfall deficit.

The higher rain falls which has led to better water levels in reservoirs across the country, will also help the upcoming Rabi season or the winter crop, he said.

But, despite its expectations on the rise in consumption, Crisil maintained its projections on GDP growth (7.9 per cent this year), farm growth at 4 per cent and the average inflation for the year to trend at 5 per cent.

The report said rural incomes will grow despite the downward pressure on prices and farm incomes, primarily on increased output. Farm GDP will rise by Rs 1.49 trillion (Rs 1.49 lakh crore) this fiscal year as against Rs 978 billion (Rs 97,800 crore) in 2015-16.

Of the overall consumption, rural markets growth will go up to 8 per cent from 7.4 per cent, while the already "healthy" urban markets will continue on its performance on factors like lower inflation and 7th Pay Commission award.

The agency said consumer durables, fast moving consumer goods and auto including tractors will benefit from the rise in consumption.

Southwest monsoons officially ended on September 30 with "normal" rainfalls this season are belying the initial forecast of "above normal" precipitation.

Business Line

6. Bank of Maharashtra: Sacked CMD moves Delhi High Court

KRSRIVATS

Sushil Muhnot, who was recently sacked as Bank of Maharashtra CMD, has

moved the Delhi High Court against the Centre's action of removing him from that post.

Muhnot has filed a writ petition and the matter is expected to be taken up for hearing in early December, sources said.

In a rare instance, the Centre had last Monday (September 26) removed Sushil Muhnot as Chairman and Managing Director (CMD) of Bank of Maharashtra, four days ahead of his scheduled retirement on September 30.

The Finance Ministry had earlier this year served a show-cause notice on Muhnot, asking him to explain why he should not be terminated from his job for allegedly occupying two houses. He is said to have occupied two houses — one in Mumbai and another in Pune, the headquarters of Bank of Maharashtra.

In the past, too, some state-owned bank chiefs had been issued show-cause notices. In recent history, Syndicate Bank Chief SK Jain was removed from his post following a CBI case against him.

Former Corporation Bank CMD Ramnath Pradeep was issued show-cause notice for alleged violation of norms, but he completed his term.

7. Co-branded cards can slash your fuel bills

MUTHUKUMAR K

Mahesh Agrawal who lives in Mumbai drives his car to office — which is about 25 km from his home. On weekends, he goes on long tours. In the last one year, he clocked 60,000 km, spending about ₹2.6 lakh on 4,000 litres of petrol. Though driving is his passion, he has been wondering if there was a way to slash fuel bills.

While there is little that one can do about the fuel price fluctuations, usage of co-branded plastics can help you save quite a bit on fuel expenses.

Reward points

Co-branded credit cards are usually a result of a tie-up between the issuer of the card and an institution. While the issuer is generally a bank, the institution could be a retail outlet, an airline company or a hotel. And usage of these cards at specified outlets entitles its users to exclusive offers, rewards and benefits in addition to the usual perks of owning a credit card.

Take, for instance, the Indian Oil Citi Platinum credit card. This card lets you earn four turbo points for every ₹150 of fuel purchased through the card at its IOC outlets. These turbo points in turn could be used to pay fuel — at the conversion rate of one turbo point being equivalent to ₹1. This effectively works out to a discount of 2.7 per cent on the fuel purchases made from the card.

However, remember that co-branded card holders can be charged a fuel surcharge of 2.5 per cent of the value of fuel spends if used at non-IOC fuel pumps.

Besides, Citi's IOC card, there is also ICICI Bank's HPCL Coral American Express Credit Card. ICICI's card gives payback points worth ₹6 for every ₹100 worth of purchases made through the card.

And 2,000 payback points can be redeemed to purchase fuel worth ₹500. In essence, one payback point is equivalent to 25 paise.

A comparison of the features of the above two fuel co-branded card shows that Citi's IOC card stacks out better than ICICI Bank's HPCL Card, which effectively gives a discount of 1.5 per cent on the fuel purchases made through the card.✕

However, ICICI Bank's HPCL Card has the additional feature of giving cash back to the tune of 2.5 per cent of fuel purchases made through the card. Yet, its cash back limit of ₹100 every month is not a big benefit.

Other benefits

Co-branded fuel cards don't stop with rewards on fuel purchases alone. They can also be used to make regular purchases — say, groceries or shopping, like any other card.

This, in turn, also entitles you to reward points — though not at the same rate as that of buying fuel. For instance, in case of IndianOil Citi, it is two turbo points for every ₹150 worth of purchases at grocery and supermarkets and one turbo point when used for, say, dining out. ICICI Bank's HPCL card gives two payback points for every ₹100 worth of purchases.

While the initial costs of holding these cards are minimal (about ₹200 as joining fees) — easily recoverable from rewards points earned — the annual fees are waived for such credit cards, if your annual spends are in excess of ₹50,000. Interestingly, some players like IndianOil Citi give huge cashback to the tune of ₹1,000 for signing up for its credit card through its website.

A checklist

Before you make a final choice, remember that convenience plays a key role. So, first of all, check if the HP or IOC outlets are in the vicinity.

Moreover, you must find out if the card machine used is of the bank that has a tie-up with them.

If you are not an avid traveller or don't want to get into the hassles of searching for a fuel pump where you could get reward point benefits, choose a card that waives the fuel surcharge on any fuel pump station.

Many of the credit card issuers, including SBI Gold, HDFC Platinum Plus and Axis Platinum, waive the fuel surcharge, which is about 2.5 per cent of the purchased amount.

However, what you need to know is that there are upper limits per billing cycle on such waiver amounts.

While it is ₹100 for SBI Gold, it is ₹250 and ₹400 for HDFC Platinum Plus and Axis Platinum respectively.

Moreover, players like Axis don't give reward points for the fuel purchased through the card. So read the fine print, before you sign on the dotted line.

8. Germany's Merkel cannot afford to bail out Deutsche Bank: media

REUTERS

German Chancellor Angela Merkel cannot afford to bail out Deutsche Bank given the hard line Berlin has taken against state aid in other European nations and the risk of a political backlash at home, German media wrote on Saturday.

The government denied a newspaper report on Wednesday that it was working on a rescue plan for Germany's biggest bank, as its shares went into a tailspin fuelled by a demand for up to \$14 billion from U.S. authorities for mis selling mortgage-backed securities before the financial crisis.

Germany, which has insisted Italy and others accept tough conditions in tackling their problem lenders, can ill afford to be seen to go soft on its flagship bank, the Frankfurter Allgemeine wrote.

"Of course Chancellor Merkel doesn't want to give Deutsche Bank any state aid," it wrote in a front-page editorial. "She cannot afford it from the point of view of foreign policy because Berlin is taking a hard line in the Italian bank rescue."

The Munich-based Sueddeutsche Zeitung wrote that Merkel would be breaking a promise to taxpayers if she were to bail the bank out, which could spell disaster for her re-election bid next year as the anti-immigration AfD party gains ground.

The AfD is already benefiting from a backlash against Merkel's open-door refugee policy, making huge gains in two regional elections last month and hitting an all-time high of 16 per cent support in an opinion poll last week.

"A state aid package would drive voters into the arms of the AfD," the Sueddeutsche wrote in an editorial.

"Domestic political considerations make it unlikely that Berlin would play this joker. Even more unlikely is that the European Commission would agree. The political risk would be simply too high."

Shares in Deutsche Bank recovered somewhat on Friday from a record low early in the day after a report that it was close to a cut-price settlement of \$5.4 billion instead of \$14 billion.

The bank, the U.S. Department of Justice and the German finance ministry all declined to comment on the report.

The crisis also prompted Deutsche Bank's normally reticent Chief Executive John Cryan to publish a letter seeking to reassure staff the bank was stable and hitting out at "forces" that wanted to weaken trust in the bank.

The Stuttgarter Zeitung wrote on Saturday: "Deutsche Bank has to win back ground here because as exaggerated as the reports of an existential danger to the bank may have been, just as obvious are its continuing difficulties."

"Trust is a bank's most important currency."

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY