



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)
163/4, Kutchery Road, Mylapore, Chennai - 600004
E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
---	--	--	--

Dear Comrades,

21st July, 2016

News of Interest 21st July

Quote of the day

“The best way to find your self is to lose yourself in the service of others.”

Mahatma Gandhi

1. CAPITAL INFUSION WILL LEAD TO BOOK VALUE DILUTION FOR BANKS: JEFFERIES
2. EXPECT 50 BPS CUT IN POLICY RATE BY MARCH: MORGAN STANLEY
3. PRIVATE BANKS BEATING PSBS IN CASA DEPOSITS; HDFC BANK ‘CLEAR WINNER’
4. RS 22,915 CR PSB CAPITAL INFUSION NOT ENOUGH, SAY RATERS
5. SBI PLANS FRESH OUTREACH TO UNBANKED RURAL INDIA
6. BROOKFIELD ASSET COMMITS ₹7,000 CR FOR SBI BALANCE-SHEET CLEAN-UP
7. RUPEE LOSES MOMENTUM
8. SOON, OPEN A BOB SAVINGS BANK A/C VIA PAPERLESS MODE
9. LAKSHMI VILAS BANK Q1 NET JUMPS 50%
10. ‘WALLETS’ WILL SOON FETCH YOU MONEY

Financial Express 1.Capital infusion will lead to book value dilution for banks: Jefferies

The recapitalisation of 13 government-owned banks, announced by the central government, will result in dilution of their book value per share for banks with larger capital infusion, investment banking firm Jefferies said on Wednesday.

By: [IANS](#) |

The recapitalisation of 13 government-owned banks, announced by the central government, will result in dilution of their book value per share for banks with larger capital infusion, investment banking firm Jefferies said on Wednesday.

In a report, Jefferies said: “Banks with larger capital allocations relative to their Common Equity Tier 1 (CET1) are typically the ones to see a steeper dilution of book value per share, given that stock prices for the SOE (State Owned Enterprise) banking space have remained largely depressed for the last several quarters now.”

Based on current market prices, the largest book value per share hit will be seen for Indian Overseas Bank at 28 per cent followed by United Bank of India at 20 per cent. Among other banks affected will be Bank of India (12 per cent) and Dena Bank (12 per cent).

At current market prices, the book value dilution is zero per cent for State Bank of India and three per cent for Punjab National Bank.

The key beneficiaries in terms of CET1 jump are IOB, United Bank of India, Central Bank of India and UCO Bank.

The central government on Tuesday announced capital infusion of Rs.22,915 crore for 13 banks.

2. Expect 50 bps cut in policy rate by March: Morgan Stanley

Inflation in India is expected to fall to 4.5 per cent by next March, giving the Reserve Bank space to cut key policy rates by 50 basis points in the current fiscal, says a Morgan Stanley report.

By: PTI

Inflation in India is expected to fall to 4.5 per cent by next March, giving the Reserve Bank space to cut key policy rates by 50 basis points in the current fiscal, says a Morgan Stanley report.

According to the global financial services major, disinflationary pressures would keep the RBI on an easing path.

"We expect a 50 bps cut in the policy rate by quarter ended March 2017," Morgan Stanley said in a research note.

In the June monetary policy review, RBI Governor Raghuram Rajan kept interest rates intact, citing rising inflationary pressure, but hinted at a reduction later this year if good monsoon helps ease inflation.

The report further noted that inflation is expected to fall to 4.5 per cent by quarter ended March 2017.

Fall in inflation would be largely because key drivers like commodity prices, wage costs, fiscal consolidation, and property prices remain at benign levels and give "the RBI space to cut policy rates by another 50 bps by quarter ended March 2017 and taking cumulative rate cuts since January 2015 to 200 bps," Nomura added.

The industry is still hopeful of further rate reduction from the central bank to boost investment.

According to the global brokerage firm, "we expect macro-stability conditions to be maintained as the recovery is expected to be driven by rise in productivity, with a low risk of the economy overheating."

Meanwhile, the wholesale inflation accelerated for the third straight month in June hitting 1.62 per cent on costlier food and manufactured items.

The hardening of the WPI index follows an uptick in retail inflation, which hit a 22-month high of 5.77 per cent in June, dampening chances of a rate cut by RBI at its next policy meet scheduled for August 9.

3. Private banks beating PSBs in CASA deposits; HDFC Bank 'clear winner'

The report also notes while when it comes to savings account growth, the shift away from PSBs in favour of private banks has been slower; larger PSBs, except...

By: FE Bureau

In a recent report, analysts at Nomura claimed that public sector banks (PSBs) are increasingly losing out to the top six private sector banks when it comes to current account and savings account (CASA) deposits. "While the CASA share loss for PSU banks vs private banks was expected, we believe it was a material loss in CA market share for smaller PSUs with the top six private banks garnering ~60% of the system incremental CA," they noted with reference to FY16.

The report also notes while when it comes to savings account growth, the shift away from PSBs in favour of private banks has been slower; larger PSBs, except State Bank of India (SBI), have lost out significantly in the last two years. When it comes to the private banks, while the report terms HDFC Bank as the 'clear winner', it claims that ICICI Bank has clawed back some lost ground and Axis Bank has stabilised a bit after a poor FY15.

On incremental current account deposits, while the top six private banks accounted for 60% of that during FY14–FY16, smaller PSBs have reported absolutely no growth, the report added. Similarly, in the case of incremental savings account deposits, while the top six private sector banks have garnered a 27% market share, top PSBs, excluding SBI, have seen their market share fall from 25% between FY12 and FY14 to 21% between FY14 and FY16.

The report adds that thanks to a similar lower growth in overall deposits, the CASA ratio of PSBs haven't dropped significantly.

4. Rs 22,915 cr PSB capital infusion not enough, say raters

Like Fitch, ICRA too is of the opinion that the government needs to infuse much more than the ₹70,000 crore earmarked to help the PSBs meet Basel III requirements by FY19.

By: FE Bureau

The government's decision on Tuesday to infuse Rs 22,915 crore in 13 public sector banks (PSBs) falls well short of the requirement, rating agencies have observed. Fitch, which estimates that Indian banks would need \$90 billion or over ₹6 lakh crore of additional capital by FY19 to meet Basel III requirements, for instance, claims that Tuesday's capital infusion won't be able to at all alleviate the pressure on PSBs.

"This step — on its own — is unlikely to address the pressures on the system driven by economic growth in light of the significant asset quality pressures and weak profitability prospects of these banks," analysts at Fitch noted.

Noting that PSBs' combined losses in the second half of FY16 were double the government's capital injection during the year, they added that the government needs to increase the allocation amount to restore market confidence. "Fitch believes pressures on public bank credit profiles will remain, and more capital

than the ₹70,000 crore earmarked through to FY19 will be needed from the government to restore market confidence and position the sector for long-term growth," they observed.

According to them, one of the main reasons for the below par growth in system wide credit in recent months is the fact that PSBs' combined losses in the last two quarters of FY16 was twice the amount infused into them by the government during the year and equivalent 15% of their capital at the end of FY15.

On similar notes, ICRA, while acknowledging that the capital infusion on Tuesday will support the capitalisation level of PSBs, noted that the amount fell short of what's required by their estimates by anywhere between ₹18,000 and ₹28,000 crore. "ICRA estimates the PSBs tier 1 capital requirements to be in the range of ₹40,000- 50,000 crore for FY2017, which is higher than GoI's current allocation of ₹22,915 crore equity infusion," its analysts noted. They added that their estimates are based on the assumption that the risk weighted assets (RWAs) of PSBs would grow at 10% during FY17 and FY19.

Like Fitch, ICRA too is of the opinion that the government needs to infuse much more than the ₹70,000 crore earmarked to help the PSBs meet Basel III requirements by FY19.

"Given the weak share price multiples and subdued investor appetite for common equity tier 1 (CET 1) and Additional tier 1 (AT1) instruments of PSBs, the government will need to increase the quantum of capital infusion into PSBs significantly for the period of FY2017-FY2019," Karthik Srinivasan, senior V-P and co-head, financial sector ratings, ICRA, noted.

Analysts at Deutsche Bank, on the other hand, believe that the capital infusion into PSBs on Tuesday is enough to take care of their capital requirements in the short run. "Intent seems to be to bring CET 1 ratio to near 8.5% for most banks and for SBI/BoB to be over 10%, which should encourage banks to start lending. Capital position now appears comfortable, though more capital would be required to support credit growth over time," they noted.

After an extensive asset quality review (AQR) conducted by the Reserve Bank of India (RBI) in mid-2015, the central bank directed banks to come clean on stressed assets and make adequate provisions for them. This resulted in the total gross non performing assets of state-owned lenders shooting up to ₹5.4 lakh crore at the end of March, 2016 and necessitated them to provide an amount of ₹1.6 lakh crore for stressed assets as also 'emerging stress'. Hence, the capitalisation levels of PSBs have dipped, forcing them to go slow on fresh lending, thereby pulling down the growth of the credit in the economy.

5. SBI plans fresh outreach to unbanked rural India

By *Pratik Bhakta*,

State Bank of India is planning to give a fresh push to the business correspondent model, hoping to grab a chunk of unbanked rural India at a time when the government is emphasising on financial inclusion and payments banks are set to start operations by the end of the year.

The state-run lender has asked its business correspondents to expand the bank's customer service points in remote rural areas to bring in more people into the banking channel. The bank intends to offer more financial products through business correspondents.

"Business correspondents are an important channel for us for financial inclusion. Whatever we have done through PMJDY (Pradhan Mantri Jan-Dhan Yojana) would not have been possible without a CSP (customer service points) channel. We are putting in all efforts to make this channel stronger and give them all forms of supports that they require," said Rajnish Kumar, managing director, National Banking Group at State Bank of India. In order to improve its reach in the far-flung areas where traditional branch-based banking is not feasible, the bank has also tied up with Indian Oil Corporation BSE 2.95 % to convert its Kisan Seva Kendras into business correspondent outlets.

Pay Point India, a Mumbai-based corporate business correspondent for SBI, is in the process of setting up more customer service points before the payments banks start functioning. "We are planning to put 3,000-3,500 new CSPs before the payments banks open shop, so that we can expand and grab a large chunk of the rural unbanked market," said Ketan Doshi, managing director at Pay Point India. Doshi said that operating business correspondents in remote areas has become much simpler after Aadhaar integration that allows KYC (know your customer) or the identity of the customer to be determined smoothly.

Further, with the advent of technology and seamless integration the business correspondents are able to offer various financial products such as fixed deposits, mutual funds and insurance products.

Along with seeking to forge new associations for expanding its retail footprint across the country, SBI is also in the process of reviving its old business correspondent outlets and making them active. "We have around 66,000 CSPs, of which around 50% only are active. We are trying to check their viability and activate them again.

These points should look for a mix of banking and non-banking activities in order to be profitable," said Kumar. Similarly, Pay Point India is planning to expand across Andhra Pradesh, Telangana, Madhya Pradesh, Chhattisgarh, Tamil Nadu and Rajasthan, states where it does not have much presence.

"The bank offers us with very active support like satellite connectivity in remote rural locations, which make banking operations viable in those regions," said Doshi. "Further, with other products like insurance, fixed deposits and bill payments through our platform, we hope to get more business," he said.

Business Line

6. Brookfield Asset commits ₹7,000 cr for SBI balance-sheet clean-up

OUR BUREAU

In an effort to clean up its balance sheet, State Bank of India (SBI), India's largest lender, has signed an agreement with Brookfield Asset Management Inc to form a joint venture, which will invest in stressed assets.

Under the proposed joint venture, Brookfield will commit about ₹7,000 crore and SBI up to 5 per cent of total investments into stressed assets.

Brookfield is a global alternative asset manager with \$240 billion in assets under management. It has an over 100-year history of owning and operating assets with a focus on property, renewable power, infrastructure and private equity.

It is listed on the New York, Toronto and Euronext stock exchanges.

The joint venture will be in the nature of an alternative investment fund. Such funds are regulated by the capital market regulator SEBI.

Rising NPAs

The move to form a joint venture comes in the backdrop of SBI's gross non-performing assets jumping from ₹56,834 crore as at September-end 2015 to ₹98,173 crore as at March-end 2016 after the RBI initiated a banking industry-wide asset quality review. Also, asset reconstruction companies (ARCs) are strapped for funds to buy stressed assets.

SBI, in a statement, said, "The proposed JV will independently evaluate and invest in various stressed assets, and will rely upon Brookfield's operational expertise to manage recapitalised businesses. The proposed JV may, at a later stage, seek participation from other lenders in the identified assets."

SBI Chairman Arundhati Bhattacharya said this approach of collaborating with global players will enable banks in general and SBI, in particular, to find alternative solutions for resolution of stressed assets.

She opined that such an approach will be more acceptable to both lenders and borrowers in cases where the promoters are not able to infuse funds and lenders are reluctant to take additional exposure.

India Ratings and Research (Ind-Ra), in a recent note, observed that ARCs will need to re-orient themselves if they are to facilitate the resolution process of the ₹6-lakh-crore bad debt pile-up in Indian banks.

7. Rupee loses momentum

GURUMURTHY K

Pressure is slowly mounting on the rupee with the currency failing to sustain its break above 67. The rupee touched a high of 66.85 on Friday, but reversed sharply lower from there, to below 67 once again.

The currency hit a low of 67.25 before closing at 67.20 on Wednesday, down 0.2 per cent for the week. Inability to sustain above 67 and the subsequent reversal in the past week keeps the broader bearish outlook intact.

Strong dollar

A strong rise in the dollar index capped the rupee's upside in the past week. After consolidating between 95.5 and 96.5 for more than three weeks, the dollar index broke above 96.5 and surged to a high of 97.3 in the past week.

The break above 96.5 has increased the momentum for the index. A decisive close above 97 will add further strength. With strong support around 96.5, a further rise to 98 and 98.5 looks likely in the short term. Such a rise will also increase the possibility of the index revisiting 100 levels in the coming weeks.

Weak euro

The outlook for the euro (1.10/\$) is negative. The euro has been broadly range-bound between 1.05 and 1.16 since 2015. After testing 1.16 in May this year,

the currency has been falling, thereby keeping the broader range intact. An immediate fall to 1.08 looks likely.

A strong break below 1.08 can drag it to 1.05 — the lower end of the range. Such a fall in the euro supports the bullish view for the dollar index. Could the European Central Bank (ECB) meeting due this evening have triggered this fall? We will have to wait and see.

The negative outlook for the euro and the strong possibility of the dollar index revisiting 100 levels are negative for the rupee. There is no major macroeconomic data release on the domestic front in the coming week. So, the rupee's movement will be completely influenced by global dollar movement.

Inability of the rupee to sustain above 67 is a negative. Technically, the 200-day moving average resistance (66.88) has halted the rally in the currency.

The sharp reversal from 66.85, taking the rupee below 67, is turning the short-term outlook negative.

A fall to 67.5 is possible in the coming days. Further break below 67.5 can drag it further lower to 67.7. It will also increase the possibility of the rupee falling below 68 and revisiting the previous lows, going forward.

Key resistances are at 67 and 66.85, which can limit the upside in the near term

Also, the strength in the rupee could be capped at 66.5 even if it breaks above 66.85. The presence of a strong long-term trend resistance at 66.5 will continue to keep the medium-term outlook bearish for the currency.

8. Soon, open a BoB savings bank a/c via paperless mode

KR SRIVATS

You can soon open a savings bank account by just using your e-aadhaar — no paper documents need be submitted.

Bank of Baroda, a public sector lender, in the next few months, plans to offer such a facility for its prospective customers, said RK Gupta, General Manager and Head of North Zone, BoB.

This facility will be offered at Gurugram through an e-kiosk that will form part of a "digital branch", Gupta told *BusinessLine* here on the occasion of the bank's foundation day.

"All that a customer has to do is walk into our digital branch and show his/her e-aadhaar at the e-kiosk machine. The entire details will be verified electronically at the back-end and the savings account will be opened. This is going to add to customer convenience," Gupta said.

He said the "digital branch" (basically a paperless branch) will be functional by September or October this year.

9. Lakshmi Vilas Bank Q1 net jumps 50%

OUR BUREAU

Lakshmi Vilas Bank reported a net profit of ₹60.68 crore in the first quarter of the current fiscal, a 51 per cent jump over the ₹40.26 crore reported in the year-ago quarter.

The bank has done well and met its internal targets across all parameters, said P Mukherjee, Managing Director and CEO, Lakshmi Vilas Bank.

Addressing media persons, he said the performance is sustainable and there is reason for optimism. The underlying factors that have contributed to the growth include improvement in cost of funds, and increase in fee-based income and treasury operations.

During the quarter, total business grew to ₹46,178 crore (₹38,802 crore), total deposits to ₹25,995 crore (₹22,239 crore), and CASA (current account, savings account) deposits to ₹4,180 crore (₹3,874 crore).

Gross non-performing asset (GNPA) stood at 2.14 per cent and net NPA at 1.30 per cent.

Net interest margin was up at 2.75 per cent (2.61 per cent).

On the BSE, the bank's shares closed at ₹115.90, marginally below the previous close of ₹116.70.

10. 'Wallets' will soon fetch you money

PRIYANKA PANI

Soon, money kept in mobile wallets will work for you, instead of it remaining idle. Wallet users will be able to get 6-7 per cent per annum returns by investing in liquid mutual funds.

This new facility is being launched by mobile wallet players, including ItzCash, in a bid to make them more attractive to users. Wallets will have an 'investment and redemption' feature and the money will move in and out of the wallet without the need of a bank account.

Liquid fund is a category of mutual fund which invests primarily in money market instruments such as certificate of deposits, treasury bills, commercial papers and term deposits. Lower maturity period of these underlying assets helps a fund manager in meeting the redemption demand from investors.

"To start with, we will allow consumers to invest in the liquid fund, wherein they can invest as low as ₹100 for a tenure of even a day. The Indian financial service ecosystem is going to witness a paradigm shift once we allow our users to invest the idle money," Naveen Surya, Managing Director of ItzCash and Chairman of Payments Council of India told *BusinessLine*, adding that the service does not need any additional regulatory clearances.

The returns will be worked out at 5-7 per cent per annum rate and on the number of days the money is parked with the mutual fund. And, if a person shuts the wallet, he gets whatever money he has in the wallet plus the accrued interest.

Expanding reach

Other mobile wallet service providers such as Mobikwik, Oxigen and Zeta are already firming up plans to launch similar financial services, including Systematic Investment Plans (SIPs) and insurance policies in an attempt to expand their footprints and create an inclusive financial system on the internet.

The wallet companies will also benefit as they can earn commission from such transactions. At present, they do not earn anything from the money kept in the wallet.

Pramod Saxena, Managing Director, Oxigen, said: "This will help open up the financial market and bring in new customers who have never bought any mutual fund as they find the whole process of opening an SIP very cumbersome." Rajeev Arora, COO of wallet provider FINO Paytech, which has also got a licence to run a payment bank, said the company plans to provide these services as a payment bank, but has doubts if it can be "successfully" done through wallets.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY