



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

28th July, 2016

News of Interest 28th July

QUOTE OF THE DAY

“NO ONE SAVES US BUT OURSELVES. NO ONE CAN AND NO ONE MAY.

WE OURSELVES MUST WALK THE PATH”

BUDDHA

1. HDFC LTD Q1 NET PROFIT UP 27% TO RS 2,797 CRORE
2. STATE BANK OF TRAVANCORE'S Q1 NET LOSS AT RS 743 CRORE
3. SBI CHIEF ARUNDHATI BHATTACHARYA SET TO GET 1-YR EXTENSION
4. YES BANK Q1 NET JUMPS 33% TO RS 732 CR
5. RETAIL BIZ WILL ACCOUNT FOR 20% OF ADVANCES: IDFC BANK CHIEF
6. RBI SLAPS RS 27-CR FINE ON 13 BANKS IN FOREX CASE
7. GOVT PLANS GREATER ROLE IN RBI'S DEBT MKT OPERATIONS
8. INDIA'S QUALITY OF GROWTH IMPROVING, SAYS CRISIL

Financial Express

1. HDFC Ltd Q1 net profit up 27% to Rs 2,797 crore

The country's largest mortgage player HDFC Ltd today reported 26.86 per cent increase in consolidated net profit at Rs 2,796.92 crore helped by receipts from stake sale in its general insurance arm.

By: PTI

The country's largest mortgage player HDFC Ltd today reported 26.86 per cent increase in consolidated net profit at Rs 2,796.92 crore helped by receipts from stake sale in its general insurance arm.

Its consolidated net profit during the April-June quarter of the previous fiscal stood at Rs 2,204.29 crore.

HDFC Ltd's total income (rpt) total income rose to Rs 13,516.99 crore for the first quarter ended June 30, 2016-17 as against Rs 11,397.29 crore in the year-ago period.

During the quarter under review, company sold 12.33 crore shares in HDFC Ergo General Insurance to Ergo International Ag, resulting in pre tax gain of Rs 871.35 crore.

HDFC Ltd scrips closed 1.48 per cent up at Rs 1,387.85 on BSE. PTI SVK SA 07271600

2. State Bank of Travancore's Q1 net loss at Rs 743 crore

Public sector State Bank of Travancore has reported a net loss of Rs 742.89 crore for the June quarter due to higher NPAs. Its net profit during the corresponding quarter last fiscal stood at Rs 81.32 crore, the bank said in a statement.

By: PTI |

Public sector State Bank of Travancore has reported a net loss of Rs 742.89 crore for the June quarter due to higher NPAs. Its net profit during the corresponding quarter last fiscal stood at Rs 81.32 crore, the bank said in a statement.

On account of higher provisions of Rs 1,170 crore for NPA (Non Performing Assets) and additional prudential provisions or other stressed accounts, the bank has faced losses.

The Gross NPA stood at 9.38 per cent, while Net NPA was 5.99 per cent as on June 2016, it said. The bank, however, has recorded an operating profit of Rs 426.65 crore during the quarter under review.

SBT – one of the Kerala based-banks – is proposed to be merged with State Bank of India. The Kerala Assembly had recently passed a resolution asking the Centre and Reserve Bank of India to revoke the decision for merger.

Staff Unions of SBT had also protested against the merger. Both ruling CPI (M) led LDF and Congress headed UDF had supported the resolution.

The other income also grew by around 35 per cent to Rs 351.37 crore during the three-month period as against Rs 260.72 crore in June quarter of the preceding fiscal, on the back of robust growth of 142 per cent growth in profit from treasury operations.

While total deposits grew by Rs 10,255 crore mainly driven by a robust CASA growth of Rs 5,669 crore representing more than 55 per cent of Total deposit growth.

The trend is also reflected during the current quarter of this financial year with a CASA growth of Rs 1,954 crore out of the total deposit growth of Rs 3,028 crore representing 65 per cent of Total deposit growth during this quarter.

"The bank has been consistently growing CASA Deposits and replacing high cost deposits and bulk deposits with retail deposits to cut interest costs.

SBT's Current and Savings (CASA) deposits ratio stood at 31.84 per cent as on March 31, 2016 as against 29.79 per cent as against the corresponding period last year.

"The high cost deposit and bulk deposits came down sharply from 13.24 per cent to 9.34 per cent," C R Sasikumar, MD, SBT, said.

Total advances stood at Rs 68,276 crore as on June 2016 as against Rs 68,411 crore as on June 2015, the release said.

SBT has a total of 1,178 branches and 1,742 ATMs in 16 states and three Union Territories. The bank has 851 branches and 1370 ATMs in Kerala alone.

3. SBI chief Arundhati Bhattacharya set to get 1-yr extension

An extension to Bhattacharya would help the government complete the merger process of SBI and its associate banks within the current fiscal. After working out the scheme of amalgamation, SBI would seek the Cabinet approval

By: Prasanta Sahu

The government is likely to extend the tenure of State Bank of India (SBI) chairman Arundhati Bhattacharya by a year to ensure smooth merger of the bank's five associate banks and Bharatiya Mahila Bank, finance ministry sources told FE.

Bhattacharya's three-year tenure at the helm of the country's largest lender by assets began on October, 2013. Currently, the SBI brass comprises the chairman and four managing directors — B Sriram, VG Kannan, Rajnish Kumar and PK Gupta.

Officials said an extension to Bhattacharya would help the government complete the merger process of SBI within the current fiscal. The Appointments Committee of Cabinet is expected to take a final decision on the extension of Bhattacharya's tenure soon. On June 15, the Cabinet gave an in-principle approval to SBI's proposal for the merger, which would place it among the world's top 50 banks in terms of assets. After working out the scheme of amalgamation, SBI would soon seek the final approval from the Cabinet. The merger will result in a consolidated entity commanding a deposit base of over R21.5 lakh crore or nearly a fifth of the banking system's total deposit base of R97 lakh crore.

"The merger of SBI and its associate banks is a win-win for both. While the network of SBI would stand to increase, its reach would multiply. One can expect efficiencies to be created from rationalisation of branches, common treasury pooling and proper deployment of a large skilled resource base," Bhattacharya said after the Cabinet approved the merger last month.

While mergers of banks have traditionally been opposed by employee unions, Bhattacharya, who is said to have a good rapport with the unions, could help convince them of the benefits.

Besides addressing manpower issues, the integration will pose potential challenges such as diverting the management's attention from improving asset quality and increasing low-cost deposits to managing the merger.

In FY16, SBI's gross non-performing assets (GNPAs) rose over 73% to close to Rs 1 lakh crore. Earlier this month, the government infused R7,575-crore capital in SBI after factoring in the rise in NPA level and loan growth prospects.

Business Line

4. YES Bank Q1 net jumps 33% to Rs 732 cr

YES Bank's net profit in the first quarter of this fiscal (FY17) grew 32.8 per cent to ₹731.8 crore (₹551.2 crore in Q1 FY16) on consistent growth in its balance sheet (total assets). Net interest income (NII) in Q1 rose 24.2 per cent year-on-year (y-o-y) to ₹1,316.6 crore due to robust growth in advances and current account and savings account (CASA) deposits. Net interest margin (NIM) rose 10 basis points y-o-y to 3.4 per cent.

Rana Kapoor, Managing Director and CEO, YES Bank, said: "YES Bank has delivered another highly satisfactory quarter of financial performance reflected in strong and quality growth, sustained profitability and continued resilience in asset quality... Given the improving macroeconomic environment along with stable asset quality and accelerating retail franchise, the bank is well poised to capture market share across retail and corporate segments at an enhanced pace."

The bank registered a balance sheet size of over ₹1.77-lakh crore in Q1 FY17, up 27.5 per cent y-o-y. Total deposits grew 28.6 per cent to over ₹1.22-lakh crore while low-cost CASA deposits constituted 29.6 per cent of these (up 620 basis points y-o-y). Total advances grew 33 per cent to over ₹1.05-lakh crore with the proportion of corporate to retail lending at about 2:1.

Bad loans (gross non-performing advances) as a proportion of gross advances stood at 0.79 per cent (₹844.6 crore, up 33 bps y-o-y) and net NPAs at 0.29 per cent (₹302.4 crore, up 16 bps y-o-y). The bank's capital adequacy ratio according to Basel-III norms stood at 15.5 per cent, up 50 bps.

5. Retail biz will account for 20% of advances: IDFC Bank chief

G BALACHANDAR

IDFC Bank expects retail sector to account for one-fifth of advances and 10-12 per cent of deposits by the end of current fiscal as the youngest private bank accelerates customer acquisitions and distribution ramp up to achieve its vision.

It has set out a vision to transform into a mass retail bank in the next five years, by targeting customers in four segments.

"Our goal is to systematically build mass retail bank. We expect that by March 31, 2017, about 20 per cent (₹18,000 crore) of our overall advances to be retail-focussed. About 10-12 per cent of deposits will be from retail," Rajiv Lall, Founder Managing Director and CEO of IDFC Bank told *BusinessLine* after the company's annual general meeting here.

To achieve its objectives, the bank plans to expedite the customer acquisition process both in organic and inorganic routes.

“We are already accumulating or acquiring organically about 15,000 customers a month. This pace will be accelerated significantly. The acquisition deal of Grama Vidiyal Microfinance will close in three-four weeks and it will become a 100 per cent subsidiary of IDFC Bank. With this deal, we will have 1.5 million customers within 15 months of launching the banking operations,” he added,

The bank will also boost its presence to 1,400 touch points across 20 cities in 10 States by end-March 2017. As of June quarter of this fiscal, it had about 380 touch points, which include 50 branches and 330 micro ATMs. “When I say point of presence, I don’t mean branches, because, our distribution architecture is much less-reliant on branches, but interspersed with extending our presence through partners, micro ATMs and other channels, including digital,” explained Lall.

So, in its 1,400 touch points, IDFC Bank will have only 75 branches. Its plan is to build a very wide customer reach, very quickly with fewer branches per customer and fewer bank employees per customer.

Lall highlighted that IDFC Bank would focus on four key segments to drive its growth. They include business banking segment (companies with turnover of less than ₹35 crore), salaried segment (corporate, young and old categories), micro enterprises and self-employed women.

In all the four segments, the company plans to attract customers by addressing product and service gaps and through price incentives. Its offerings include doorstep banking for bulk cash handling in the business banking segment, Aadhaar-based account opening in four minutes and differentiated booster home loans, among others.

The bank offers an attractive rate for fixed deposits and no charges for early withdrawal. “Up to ₹1 crore, the rate will be 8.25 per cent per year and for senior citizens, an additional 50 basis points will be given,” he said.

6. RBI slaps Rs 27-cr fine on 13 banks in forex case

Asks 8 banks to tighten regulatory compliance

Abhijit Lele & PTI

The Reserve Bank of India (RBI) has imposed a combined Rs 27-crore penalty on 13 public and private sector banks — including Canara Bank, IndusInd Bank and RBL Bank — for violating Know Your Customer (KYC) and anti-money laundering (AML) norms.

It asked eight others — including State Bank of India, ICICI Bank, Axis Bank, Standard Chartered Bank, Federal Bank and Kotak Mahindra bank — to take steps to ensure strict compliance of KYC norms and norms under the Foreign Exchange Management Act (Fema).

The trigger for the regulator’s action was the Rs 6,000-crore foreign exchange scam unearthed at Bank of Baroda (BoB) last year. However, later these accounts were traced to HDFC Bank, where the fraud was believed to have

originated. As part of this scam, funds were transferred to accounts in Hong Kong for certain import transactions that were not carried out. Of those banks which have been fined, HDFC Bank, BoB and Punjab National Bank had already been informed about the RBI action.

RBI, in a statement, said the action against the banks was based on deficiencies in regulatory compliance. It was not intended to pronounce upon the validity of any transaction or agreement entered into by the bank and its customers. RBI undertook a scrutiny on advance import remittances at 21 banks in October and November 2015. The scrutiny covered the alleged irregularities in opening and monitoring of accounts, including violations under Fema provisions.

It also looked at the effectiveness of systems and processes for implementation of KYC norms/AML standards. The findings revealed weaknesses in the internal control systems, management oversight and violation of certain regulatory guidelines, RBI said.

7. Govt plans greater role in RBI's debt mkt operations

Middle office to actively advise RBI on weekly borrowings

Arup Roychoudhury

The finance ministry is likely to strengthen its debt management arm, known as the middle office, by giving it greater say in the Reserve Bank of India's decisions on issuance of government bonds, treasury bills (T-bills) and open market operations.

Such a move would also mean the proposal for a Public Debt Management Agency (PDMA), as envisaged last year, and involving taking away RBI's powers to issue government securities (G-Secs) and to regulate the G-Secmarket, is dead.

In the present arrangement, the front office, which issues bonds and T-bills, and the back office, which handles the infrastructure, are with RBI. The middle office, monitoring debt issuance and markets, is part of the Budget division of the ministry.

GOAL SETTING

Govt and **RBI** are said to have reviewed 5-year inflation target

- Target to be notified soon, possibly this week
- Originally stated target of 4% (+/-2%) could be maintained
- Govt had notified MPC formation in late June
- 5-year inflation target not been notified yet

Officials from the ministry and RBI draw up a borrowing calendar twice a year to outline the weekly schedule of issuance of government bonds. However, it is the front office which decides when to issue G-Secs and whether to hold issuances or buy and sell in the secondary market, depending on liquidity and market conditions.

That is to change, government sources told this newspaper. "The ministry may actively advise the RBI on debt market

operations on a weekly basis. The decision on whether to issue additional G-secs, cancel an issuance or the weekly amount worth of debt to be issued will be jointly taken by RBI and government," said an official.

This will include streamlining the middle office's operations and perhaps increasing its personnel. "The ministry's official role in debt issuances will now go beyond the two borrowing calendar meetings," the official said.

Another official said discussions on the proposal's final contours were still being discussed with RBI and clear announcement was to be made in the coming weeks. The central bank is said to be comfortable with what is planned.

The proposal for a PDMA, as envisaged in Finance Bill 2015, included taking away the power of G-Sec regulation from RBI to the Securities and Exchange Board of India, and shifting the front office, middle office and back office to the PDMA. Finance Minister Arun Jaitley had removed these contentious provisions and put Public Debt Management Agency on a back burner amid an intense debate on the government trying to take away RBI's powers.

There have been lengthy discussions with RBI since then. This proposal, to give more powers to the middle office, is seen as the one all stakeholders are comfortable with.

For April-September, first six months of this financial year, the government will borrow Rs 3.55 lakh crore or 59.2 per cent of the total borrowing requirement. This is in line with the standard practice to front-load borrowings in the first half of the year, so that the second half remains relatively free for the private sector to borrow. The Union Budget had estimated the total borrowing at Rs 6 lakh crore. Net of redemptions, the borrowing was pegged at Rs 4.2 lakh crore.

8. India's quality of growth improving, says CRISIL

The critical factor for growth will be how the monsoon plays out. Assuming a normal monsoon, Crisil estimates that growth could touch 7.9% in 2016-17

Ishan Kumar Bakshi

CRISIL has pegged India's economic growth at 7.9 per cent in 2016-17, assuming a normal monsoon. Unlike the "rubber-band" recovery that India witnessed after the global financial crisis of 2008, aided largely by fiscal and monetary stimulus, this time the quality of growth has improved, says CRISIL in a new report.

With the global economy struggling, India had embarked on a massive fiscal and monetary stimulus. As a result, growth perked up initially only to collapse when the stimulus was withdrawn.

CRISIL notes that the "policy focus hasn't been based on populism or on boosting cyclical growth through fiscal and monetary stimuli, but rather on improving the 'trend' growth by repairing the system and initiating structural reforms wherever possible."

While these policy initiatives are likely to improve the trend growth in the short term, the critical factor will be how the monsoon plays out. Assuming a normal monsoon, CRISIL estimates that growth could touch 7.9 per cent in 2016-17,

just shy of the 8 per cent mark.

The National Democratic Alliance government, under Narendra Modi, has worked to ensure macro-economic stability. It has resisted calls for relaxing its fiscal deficit limit and has opted for improving the quality of its expenditure. It has ramped up spending on infrastructure, roads and railways in particular, increased taxes on petrol and kept the fiscal deficit in check. It has also formalised an interest rate targeting regime with the Reserve Bank of India to keep inflation under control.

Steps to improve macro-economic stability have been accompanied by reforms to improve growth. As CRISIL notes, "structurally positive steps have also been taken such as to mend the electricity and banking sectors, but these remain work in progress."

Further, "the government has also managed to pass two key Bills — the Insolvency and Bankruptcy Code Bill, 2016 — which strive to create an enabling environment for expeditious resolution of bankruptcies with least pain to stakeholders, and the Aadhaar Bill to distribute subsidies, rural wages and pensions through an electronic platform," it said.

Reflecting on these moves, Dharmakirti Joshi, chief economist, CRISIL said, "The focus on quality of growth and repair and reform initiatives means there will not be significant upsides immediately. But if relentlessly implemented, they will do more to raise India's trend — rather than cyclical — growth that we are seeing now. We believe this will remain work in progress for some time and the momentum needs to continue through the political cycle, which will restart next year, to get maximum bang for the buck."

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY