



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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Dear Comrades,

1<sup>st</sup> November, 2016

**News of Interest 31stOct**

**Quote of the day**

**“Problems are not stop signs, they are guidelines.”**

**Robert H. Schuller**

1. CRISIL downgrades UCO Bank's tier-II bond rating
2. PNB plans to raise Rs 6,000 cr via bonds
3. Heritage Foods to buy Reliance arm's dairy biz
4. End cab aggregators, demands Mumbai's traditional taxis
5. E-banking fraud: What's your liability?
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8. State Bank of Hyderabad posts Rs 776 cr loss in Q2

Business Standard

**1. CRISIL downgrades UCO Bank's tier-II bond rating**

The bank's asset quality will continue to remain under pressure over the next few quarters, CRISIL said

Abhijit Lele

CRISIL has downgraded rating for UCO Bank's tier-II bonds from "AA-"to "A+" on significantly higher-than-expected deterioration in asset quality, which impacted the bank's profitability for quarter, ended June.

The bank's asset quality will continue to remain under pressure over the next few quarters, CRISIL said a statement.

The stretched cash flow of highly leveraged corporates and limited recovery of non-performing assets (NPAs) will continue work as drag on bank's asset quality.

The bank reported a net loss of Rs 440 crore for the quarter ended June 30. This was primarily because of high provisioning costs of 2.6 per cent of average total assets in first quarter of the current financial year. Its gross increased to 17.2 per cent as on June 30, 2016, from 15.4 per cent as on March 31, 2016, and 6.8 per cent as on March 31, 2015.

The rating on the Kolkata-based public sector lender's certificates of deposit programme has been reaffirmed at 'A1+'.

The ratings continue to reflect the expectation of strong support from its majority owner, the Government of India (GoI-77.54 per cent stake), both on an on-going basis and in the event of distress.

UCO Bank has adequate capitalisation, backed by regular government support. Its tier-I and overall capital adequacy ratio (CAR) of 7.7 per cent and 9.9 per cent, respectively, as on June 30, 2016.

Its asset quality will remain under pressure in the near term, given its large exposure to vulnerable sectors such as infrastructure, construction, and iron and steel, amid the weak commodity price cycle and inability of leveraged players to sell assets. Therefore, bank's ability to contain deterioration in its asset quality, and hence, profitability, remains a key monitorable.

The bank reported a loss of Rs 2,800 crore for fiscal 2016 as against net profit of Rs 1,140 crore in fiscal 2015

## **2. PNB plans to raise Rs 6,000 cr via bonds**

The fund raising is subject to availability of headroom in one or more tranches, Says PNB in a regulatory filing to stock exchanges

Press Trust of India

State-owned Punjab National Bank on Saturday said it plans to raise Rs 6,000 crore in tranches from bonds to fund business expansion.

The board will be considering issuance of Basel III compliant debt instruments - Perpetual Additional Tier I capital bonds worth Rs 3,000 crore and Tier-II bonds of up to Rs 3,000 crore, PNB said in a regulatory filing to stock exchanges.

The fund raising is subject to availability of headroom in one or more tranches, it said.

The board meeting will be held on November 4, it added.

Under the Basel-III norms, AT-1 bonds come with loss absorbency features, meaning that in case of stress, banks can write off such investments or convert them into common equity if approved by the RBI.

AT-1 bonds qualify as core or equity capital.

## **3. Heritage Foods to buy Reliance arm's dairy biz**

Heritage Foods' revenues stood at Rs 641.3 crore in the quarter ended September 2016 against Rs 586.8 crore a year ago

Dasarath Reddy

Hyderabad-based Heritage Foods has signed an agreement to purchase the dairy business of Reliance Retail through slump sale, the company has said.

According to a company statement, Reliance Retail will continue to trade in dairy products, including that of Heritage, through its retail and wholesale channels after the acquisition. Reliance Retail's dairy procurement, processing and

distribution business across the country is operated under two brands – Dairy Life and Dairy Pure.

The nine-year-old dairy platform of Reliance Retail offers a range of products including packed milk, flavoured milk, butter, ghee, curd, dairy whitener, sweets, and skimmed milk powder. It generated revenue of Rs 553 crore during the last financial year. It currently procures 225,000 litres of milk a day from 2,400 villages across 10 states.

According to the statement, the managements of both the companies believe that this acquisition will tap new opportunities in Punjab, Uttarakhand and Rajasthan, along with the existing states. The deal is subject to regulatory approvals.

Heritage Foods was founded by Andhra Pradesh Chief Minister N Chandrababu Naidu in 1992. It has five business divisions — dairy, retail, agri, bakery, and renewable energy. It has around 100,000 retail outlets across the country.

Heritage Foods' revenues stood at Rs 641.3 crore in the quarter ended September 2016 against Rs 586.8 crores a year ago.

Earlier, Kishore Biyani-led Future Group was in talks to buy the retail business of Heritage Foods. But, both the groups have not finalised any business collaboration so far. The discussions are still exploratory in nature, according to the company's clarification to the BSE.

#### **4. End cab aggregators, demands Mumbai's traditional taxis**

Under the aegis of Mumbai Taximen's Union, they fear that surge pricing will give an upper hand to the aggregators to quickly attract passengers

Sanjay Jog

Operations of the traditional black and yellow (*'kali pili'*) taxis have welcomed the draft Maharashtra City Taxi Rules but pleaded that the loophole for surge pricing by cab aggregator services be stopped.

Under the aegis of Mumbai Taxi men's Union (MTU), they fear that surge pricing will give an upper hand to the aggregators to quickly attract passengers.

In its response to the draft rules issued recently released by the state transport department, MTU, on behalf of 25,000 operators, has suggested the licensing authority prescribe a single fare, not the proposed minimum and maximum, for any type of vehicle.

MTU general secretary A L Quadros alleged multinational companies wanted to finish the taxi trade and eliminate competition from the market. "The Ola and Uber aggregators have given a death blow to the taxi trade by offering low fares to passengers during lean hours and four to five times more during peak hours. The surge pricing is illegal. Taxi drivers cannot overcharge, since they ply their taxis on fares approved by the Mumbai Metropolitan Region Transport Authority (MMRTA). The loss incurred by taxi operators due to illegal operation of tourist taxis should be compensated by the government," he said.

He noted the soliciting through aggregators of passengers for being carried in tourist cars without obtaining any agent licence as mandated under Rule 121 of the Maharashtra Motor Vehicle Rules, 1989.

Holders of permits granted under section 74 of the Motor Vehicles Act have to charge fares as in a schedule approved by MMRTA. On the other hand, tourist taxi operators are free to charge any fare.

MTU says all taxis being operated via aggregators should be fitted with digital meters and aggregators should not be permitted to register 1,400cc vehicles. Also, aggregators should make their own parking arrangements, not encroach on local taxi stands. Operation of tourist taxis via aggregators must be stopped. MTU has also said only compressed natural gas should be used as fuel.

Economic Times

## 5. E-banking fraud: What's your liability?

By Riju Dave

According to the Reserve Bank of India (RBI) draft guidelines issued on August 11, 2016, the burden of proving customer liability in an unauthorised e-banking transaction lies with the bank. Find out when you incur nil or limited liability.

### When is it zero liability?

The bank will reimburse the customer if there is:

- a** Fraud/negligence on the part of the bank, whether or not you report the fraud/loss.

- b** Third party breach, where the fault lies neither with the bank nor with the customer, but elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding an unauthorised transaction.

### When is it limited liability?

The customer is partially liable if:

- a** It involves negligence on his part, like sharing payment credentials. In such a case, he will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss after reporting will be borne by the bank.

- b** The fault lies neither with the bank nor with the customer but in the system and there is a delay of four to seven working days by the customer in notifying the bank. The customer liability shall be limited to the transaction value or Rs 5,000, whichever is lower.

CUSTOMER LIABILITY	TIME TAKEN TO REPORT FRAUD
Nil	Within 3 working days
Lower of transaction value or ₹5,000	Within 4-7 working days
As per bank's policy	Beyond 7 working days

## 6. State Bank of India, ICICI Bank cut lending rates

By PTI

Top two lenders in the country, State Bank of India BSE 0.00 % (SBI) and ICICI Bank BSE -0.04 %, today announced a cut of 0.15 per cent and 0.10 per cent in their lending rates respectively under a new system of computation, signalling a further dip in borrowing costs ahead of the busy season.

Private sector lender ICICI Bank was the first to announce a cut of 0.10 per cent in its marginal cost of funds based lending rate (MCLR) across tenors, which was followed by a similar move by the country's largest lender SBI, but of a larger measure of 0.15 per cent.

Under the revised rates, the one-year MCLR which determined a slew of products including home loans for SBI stands at 8.90 per cent, while the same for ICICI Bank are at 8.95 per cent.

The revised rates are effective from November 1 in case of both the banks.

SBI has kept the overnight MCLR, which is the most aggressive offering, at 8.65 per cent, while the one month is at 8.75 per cent.

The announcements come after repeated displeasure shown by the regulator for not passing on the benefits of cuts to borrowers and give a boost to the sagging economic growth. They also come ahead of the crucial "busy season" in the second half of the fiscal which sees a spurt in loan demand

## **7. Merger of associate banks may be costlier for SBI than expected, says Credit Suisse**

By Atmadip Ray

What was once thought to be an exercise to strengthen State Bank of India BSE 0.00 %, the merger of its associate banks may turn out to be an expensive affair. The cost of merging the associates would outweigh the benefits in the short term as the bad loans mount at units, Credit Suisse Securities (India) Private Ltd said in a report.

SBI was expected to bear Rs 3500 crore on account of harmonisation of employee pension plans when it merges the associate banks with it.

India's largest lender is expected to complete the merger of associate banks with itself by March 2017.

Credit Suisse said that the pension obligations may be higher than earlier estimates while the doubling of NPA ratios in associate banks over the last few quarters would add further strain on the parent after merger with poorer asset quality.

Gross NPAs at SBI's subsidiaries have more than doubled to 13.2% as on September end from 6% in March, as associates have been aligning their bad loan recognition norms in line with the parent. This translates to a 23% rise in SBI's consolidated NPAs just from the associates.

"We therefore continue to believe that the initial financial impact of the merger will be negative on SBI and material synergy benefits may only accrue over long term," Credit Suisse said.

Although the banks made higher provisioning to cover doubling of sticky loan ratios in the first half to September, Credit Suisse said the coverage ratio has dipped 500 basis points to less than 40%. With the rise in under-provisioning, banks would need Rs 16000 crore of provisions in order to raise coverage to

70%. In 2015-16, Rs 6000 crore was required towards provisions to cover bad loans.

## **8. State Bank of Hyderabad posts Rs 776 cr loss in Q2**

G NAGA SRIDHAR

State Bank of Hyderabad (SBH) has posted Rs. 776.64 crore loss in the second quarter of the current financial year ended September 30, 2016.

It posted Rs. 375 crore profit in the corresponding quarter of previous year.

The operating profit has shown an impressive growth of 36 per cent quarter over quarter to reach Rs. 1101 crore.

"However, on account of higher loan loss provisioning of Rs. 2,258 crore, there is a net loss for the quarter," Santanu Mukherjee, Managing Director, SBH, said in a release.'

The net interest income declined 1.38 per cent to Rs. 1,111.56 crore (Rs 1,127 crore). The total business of the bank, which is set to be merged with its parent State Bank of India, stood at Rs. 2,53,411 crore.

Total advances and deposits grew by 6.60 per cent and 7.20 per cent respectively. The current account and savings account (CASA) deposits increased by 20.30 per cent.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**