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Dear Comrades,

20th April , 2017

News of Interest 20th APR

MOTIVATIONAL QUOTES

“KEEP YOUR FACE TO THE SUNSHINE AND YOU CANNOT SEE A SHADOW. “

HELEN KELLER

HIGHLIGHTS

- 1. GOVT TO HIRE UK ARBITRATOR TO BRING BACK VIJAY MALLYA**
- 2. INDUSIND BANK Q4 NET UP 21% AT RS 751 CR**
- 3. CEMENT FIRM DRILLS RS 350-CR HOLE IN INDUSIND, YES BANK PROFITS**
- 4. INDUSIND BANK MD & CEO ROMESH SOBTI: WE DON'T RULE OUT ACQUISITIONS**
- 5. RBI'S TIGHTENING OF PCA FRAMEWORK POSITIVE FOR BANKING SECTOR: ICRA**
- 6. YES BANK PROFIT UP 30% IN Q4**
- 7. LIC POSTS 27% GROWTH IN FIRST YEAR PREMIUM IN FY17**

Business Standard

1. Govt to hire UK arbitrator to bring back Vijay Mallya

Move follows poor track record of India in extraditing offenders from Britain

Shrimi Choudhary |

The government is planning to get on board a UK-based “independent arbitrator” to appear on behalf of Indian authorities and put up a strong case of extradition against absconding liquor baron Vijay Mallya, an Enforcement Directorate (ED) official said.

The move comes in view of India's past experiences with extradition cases and long-drawn legal processes.

Mallya was briefly arrested in London on Tuesday over accusations of fraud by Indian probe agencies and presented before the Westminster Magistrates' Court for an extradition hearing. He was released on bail a few hours later.

The 61-year-old businessman had fled India last year after banks started seeking his arrest over unpaid loans tied to his defunct Kingfisher Airlines.

"The person who will represent the case should be well-versed with the judicial system of the country where the matter will be heard. The court of law differs from country to country, so it is essential that the representative knows the law and legal remedies of that country," said the official cited above.

Sources said there were at least a dozen instances in the past when Indian agencies lost cases due to lack of understanding of the State laws.

Some officials said the chances of Mallya being extradited anytime soon were less than 30 per cent, considering the "civil" nature of charges against him. He can seek relief on the grounds that he is not one among the "big loan defaulters". Loan default cannot be a major factor to extradite any person, another official of the enforcement agency said.

Failed extradition attempts in the past can be attributed to lack of paperwork and strong evidence presented in court. However, in this case, the Central Bureau of Investigation (CBI) and the ED, which are probing the matter, are focusing on every minute detail.

CBI officials, along with a panel of senior lawyers, are said to be going to London with all evidence to build a watertight case against Mallya.

Despite this, Mallya have several legal options for appeal. "According to treaties between the two countries as well as the Britain's Extradition Act, there are certain clauses on which extradition request can be dismissed," said an ED lawyer.

The British court can refuse the extradition if it is proven to be political, or a violation of human rights. The court can also ask why it took six to seven years for Indian agencies and banks to take action against him.

Sources said it would take at least 15-20 hearings for the primary court at Westminster to arrive at a conclusion and even if Mallya lost the case, he has the option of moving to higher courts in Britain itself.

It has learnt that ED has so far attached Mallya's assets worth over Rs 6,000 crore under anti-money laundering laws.

INDIA TO BUILD WATERTIGHT CASE

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2. IndusInd Bank Q4 net up 21% at Rs 751 cr

FY17 net up 25% at Rs 2,867 cr

Abhijit Lele

Private sector lender IndusInd Bank's net profit rose by 21 per cent to Rs 751 crore for the fourth quarter ended March 2017 on healthy net interest income and fee income.

It had posted a net profit of Rs 620 crore in January-March 2016 (Q4).

The net profit for 2016-17 (FY 17) rose by 25 per cent to Rs 2,867 crore from Rs 2,286 crore for 2015-16 (FY16).

The board of bank has recommended a dividend of Rs 6 per share for 2016-17 as against Rs 4.5 per share for 2015-16.

The net interest income for the reporting quarter (Q4 FY 17) rose by 31 per cent Rs 1,667 crore from Rs 1,268 crore in Q4 Fy 2016.

Non-interest income rose by 33 per cent to Rs 1, 211 crore.

3. Cement firm drills Rs 350-cr hole in IndusInd, YES Bank profits

YES Bank's bad assets more than double

BS Reporter & PTI

Exposure to a single cement company made a Rs 350-crore dent in the net profits of IndusInd Bank and YES Bank, private lenders otherwise known to have better control on asset quality.

IndusInd Bank and YES Bank had to make provisions of Rs 122 crore and Rs 228 crore, respectively, for their exposure to this account, in compliance with a Reserve Bank notification.

On Wednesday, YES Bank reported 30 per cent growth in the March quarter net at Rs 914 crore, though its exposure to the cement company led to a doubling of dud loans and jump in provisions. Its net profit for 2016-17 was Rs 3,330 crore, up 31.1 per cent over the year-ago period.

In a conference call with investors, the YES Bank management said it had made a Rs 228-crore provision towards this account (cement company). However, recovery prospects had improved for the account. If not for this, the gross non-performing asset ratio would have sequentially improved. The asset being taken over in a slump sale. Therefore, recovery is expected once the transaction concludes.

Doubling of provisions also restricted IndusInd Bank's March quarter net profit growth to 21 per cent at Rs 751.6 crore. Its net profit in FY17 grew 25 per cent to Rs 2,868 crore.

Both banks stressed the reverses were temporary in nature, underlining that the cement company in question was all set to be acquired by a better performing city-based company and once the deal fructified, there would be a writeback. Though the bank managements did not name the company, sources said the exposure was to

Jaypee Cements, which is all set to be acquired by UltraTech in a Rs 16,200-crore deal.

To ensure greater transparency and promote discipline, RBI on Tuesday said it would be flagging divergences in asset recognition to a bank, ask them to make extra provisions or re-classification of such account and instructed lenders to disclose these in quarterly statements, starting with that for FY17. Interestingly, stating that the account in question was servicing interest, YES Bank identified it as a non-performing asset, but IndusInd Bank continued to treat it as a standard asset but increased the provisioning.

"This is a cement company from the north and to the best of our knowledge, there is a binding agreement to buy out a certain cement assets by a leading corporate house based in Mumbai. But, to be conservative and to meet this new circular, we are complying with it but I am quite certain there will be significant recovery very very soon," YES Bank Managing Director and Chief Executive Officer Rana Kapoor said.

IndusInd Bank MD and CEO Ramesh Sobti said the cement company loan exposure was standard and performing one, but RBI has asked it to provide more because the company's parent was showing stress and recognised as sub-standard. Sobti said the cement asset was all set to be acquired by a city-based group and there would be a writeback of the provision in the near term, once the deal was completed.

Financial Express

4. IndusInd Bank MD & CEO Romesh Sobti: We don't rule out acquisitions

Refusing to clear the air on the buzz around the bank acquiring a microfinance lender, Sobti said the bank's microfinance portfolio will grow to Rs 10,000 crore from Rs 3,000 crore over the next three years

By: The Financial Express

IndusInd Bank has met its target of doubling in terms of clients, loan book and profits between 2014 and 2017, and has the same goal for March 2020, managing director and CEO Romesh Sobti said after announcing the bank's fourth-quarter results. Refusing to clear the air on the buzz around the bank acquiring a microfinance lender, Sobti said the bank's microfinance portfolio will grow to Rs 10,000 crore from Rs 3,000 crore over the next three years. Edited excerpts:

What are your plans for inorganic growth, considering the buzz around you buying Bharat Financial Inclusion?

We don't rule out acquisitions of portfolios, but the doubling (of the bank's clients, loans and profits over the next three years) that we are talking about will be devoid of any inorganic play. We look at the whole spectrum, but whatever makes sense to you in terms of being RoE (return on equity) and earnings accretion on day one makes sense to us.

Microfinance makes sense to us, in spite of whatever you see. I think microfinance is a sustainable livelihood business. We understand that business. But whether there's an acquisition or not, this book, which is almost `3,000 crore now, will become `10,000 crore organically in the next three years.

It has now been nearly six months since demonetisation. How have you seen its impact _____ pan _____ out?

Actually, we should now be talking about the impact of remonetisation because remonetisation is now playing out in Q1. If you say demonetisation, it probably has

remonetised. So what are the changes in business model? Let's go back to demonetisation. Its impacts were seen in the early days on certain businesses where cash dominated, such as microfinance, some areas of vehicle financing and things like that. There was a V-shaped recovery we saw (thereafter) in terms of collections, which are now back to the 95-98%, except for some hotspots with 75-75%, where there is a lag. So there is some impact. The impact that we went through in Q4 was on disbursements only in these areas. The corporate part of the book did not see any impact. There's a lot of conjecture going on whether SMEs got impacted. We have not seen any (impact) so far.

What is your loan book mix like and where would you like to see it? Essentially, corporate to retail is 60:40 because corporate grew faster. We want to move steadily to a 50:50. There are two things that we want to move to in the loan book. One is to have to have corporate to retail at 50:50 and within retail, (to have) vehicle to non-vehicle at 50:50.

Economic Times

5. RBI's tightening of PCA framework positive for banking sector: Icra

BY SHILPY SINHA

The Reserve Bank of India's recent move to tighten prompt corrective action framework is positive for the banking sector given the operating and financial profile of banks, said a rating company IcraBSE 0.06 % in a report.

"Based on the revised PCA framework, a total of 16 PSBs out of 21 (excluding SBI associates) and two out of 16 private banks will require taking mandatory corrective actions such as raising capital levels, restricting the dividend payments, branch expansions or face restrictions on management compensation to come out of the PCA framework," said Karthik Srinivasan, Group Head, Financial Sector Ratings, Icra.

RBI has brought down the net NPA levels required to include the bank under PCA framework to a level of 6% now as against 10% earlier; thereby mandating the banks to increase the provision coverage on the NPAs for remaining outside the PCA framework.

ICRA expects overall these steps will strengthen the banking system over the medium term. While it will allow the stronger and well-managed banks to grow; the onus of improving the systems and procedures will be more on the weaker banks and their management.

The report said that the capital requirement, especially for public sector banks (PSBs) is enormous. The same during FY 2018 and FY 2019 is estimated at Rs. 1.25-1.35 trillion of which Rs. 800-850 billion has to be by way of core equity capital.

ICRA expects a further weakening in asset quality during FY2018 and consequently pressure on internal capital generation and increasing capital requirements under the Basel III capital adequacy framework.

6. YES Bank profit up 30% in Q4

OUR BUREAU

YES Bank reported a robust 30 per cent year-on-year increase in fourth quarter net profit on the back of healthy increase in net interest income and non-interest income even as its asset quality came under pressure.

The private sector bank reported a net profit of ₹914 crore in the quarter ended March 31, 2017, as against ₹702 crore in the year-ago period.

The bank's board recommended payment of final dividend of ₹12 per equity share (that is, 120 per cent).

The board also approved raising of funds by way of issuance of debt securities, including but not limited to non-convertible debentures, medium term notes (MTN), bonds up to ₹20,000 crore to eligible investors on private placement, subject to approval of the shareholders.

For the full financial year, the net profit was up 31 per cent at ₹3,330 crore (₹2,539 crore in the previous year).

In the reporting quarter, net interest income (the difference between interest earned and interest expended) rose 32 per cent at ₹1,640 crore (₹1,241 crore in the year-ago period).

Non-interest income jumped 57 per cent to ₹1,257 crore (₹803 crore).

Gross, net NPAs

Provisions and contingencies rose to ₹310 crore (₹186 crore). As at March-end 2017, gross non-performing assets (GNPA) and net non-performing assets (NNPA) rose to 1.52 per cent (0.76 per cent as at March-end 2016) and 0.81 per cent (0.29 per cent), respectively.

The bank said GNPA includes one borrower with gross exposure of 0.69 per cent of gross advances (₹911.50 crore) and net exposure of 0.52 per cent (₹683.60 crore) of net advances which is expected to be recovered in the near term.

In a statement, the bank said the increase in NPA and consequent provision is in conformity with the divergences observed by the RBI as per its compliance process referred to in the circular on 'Disclosure in the Notes to Accounts to the Financial Statements – Divergence in Asset Classification and Provisioning'.

MD & CEO Rana Kapoor explained that the increase in NPA and provisions was largely a consequence of one single borrower, a cement company based in north India.

"We have enough documentation and we expect to recover it (loan) in the near term," said Kapoor.

Speaking about the year ahead, the YES Bank chief said the engineering, procurement and construction sector, with the government's push for infrastructure and affordable housing, is improving and by and large the economic outlook is looking much better.

YES Bank shares closed at ₹1,605.40 apiece, down 0.03 per cent over the previous close on the BSE.

7. LIC posts 27% growth in first year premium in FY17

PTI

Driven by a surge in sale of its single-premium policy and falling interest rates, Life Insurance Corporation (LIC) has registered a 27.22 per cent growth in first year premium (FYP) in FY17.

Total FYP rose to Rs. 1,24,396.27 crore in FY17 from Rs. 97,777.47 crore in the previous year. It resulted in the insurance giant increasing its market share to 71.07 per cent from the last year's 70.61 per cent, the state-run corporation said in a statement.

LIC's market share in terms of number of policies stood at 76.09 per cent, up from 74.72 per cent last year. It sold over 20 million new policies in FY17.

Group and Pension Scheme Department received Rs. 78,805.56 crore in new business premium, securing 80.96 per cent of the market share in the segment, up from 80.73 per cent last year, it added.

However, the Corporation witnessed de-growth in number policies sold during the year under review.

LIC sold 2.01 crore policies during the fiscal 2017, down from 2.05 crore in the previous financial year, a senior official had told PTI earlier.

The Corporation's single-premium policy under pension segment, Jeevan Akshay, accounts for around 60 per cent of its total premium income. The policy provides assured annual annuity in the range of 7.1-7.2 per cent, he said.

"We did very well in the pension segment and falling interest rates also helped us achieve growth," he added.

LIC has a network of eight zonal offices covering the entire country. For the year 2016-2017 all the zones achieved their targets in first premium income, the statement said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY