



**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](mailto:aiubparf@gmail.com)/ [ubioatnng@gmail.com](mailto:ubioatnng@gmail.com)/ [suryanarayananram@gmail.com](mailto: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,**

**3rd August , 2017**

### **News of Interest 3rd AUG**

#### **MOTIVATIONAL QUOTES**

**“BE FAITHFUL IN SMALL THINGS BECAUSE IT IS IN THEM THAT YOUR STRENGTH LIES. “**  
**MOTHER TERESA**

#### **HIGHLIGHTS**

- 1. RBI RATE CUT FAILS TO CHEER MARKET**
- 2. RBI GROUP TO STUDY MCLR REGIME SO THAT YOUR BANK REDUCES LOAN RATE**
- 3. INSOLVENCY BOARD TO PULL UP FIRMS ACTING AS RESOLUTION PROFESSIONALS TO BANKS**
- 4. PNB PLANS RS 6,000 CR CAPITAL MOP UP THIS FISCAL**
- 5. LOOKING TO BRING DOWN NET NPAS BY 10% THIS FISCAL: UNITED BANK OF INDIA CHIEF**

Business Standard

#### **1. RBI rate cut fails to cheer market**

The Bank Nifty index, a gauge for the performance of banking stocks, fell 0.3%

Samie Modak

The lowering of rates by the Reserve Bank of India (RBI) failed to lift the markets, with benchmark indices ending 0.3 per cent lower.

Experts said the market had already priced in a 25 basis points (bps) cut in the policy rate and the central bank maintaining a neutral stance did little to cheer investors. The benchmark Sensex on the BSE closed at 32,476.74, down 98.4 points or 0.3 per cent. On the National Stock Exchange, the Nifty 50 index fell 33.15 points or 0.3 per cent to end at 10,081.5. A day earlier, both indices had closed at all-time highs.

“This was almost a copybook event, where the Street expected 25 bps and the RBI governor delivered a 25 bps cut,” said Motilal Oswal, chairman, Motilal Oswal

Financial Services. "The markets are overheated but reluctant to fall, with a huge pile of cash getting built in the system and waiting to be deployed, that will act as a shock absorber at every weakness. We think long-term money should be committed at these levels as well. Barring any global event, the outlook is positive."

The Bank Nifty index, a gauge for the performance of banking stocks, fell 0.3 per cent.

"The 25 bps repo rate cut was on expected lines. The market has largely discounted this action and focus would now shift to global events and how they unfold," added Lakshmi Iyer, chief investment officer-debt at Kotak Mutual Fund.

Export-oriented information technology and pharmaceuticals shares fell the most after the rupee saw a sharp rise of 0.6 per cent.

The rupee ended at a two-year high of 63.7 to the dollar, compared to Tuesday's close of 64.08. Sun Pharmaceutical and Dr Reddy's Laboratories fell nearly two per cent each, while Infosys and Tata Consultancy Services declined a little more than one per cent. Among the gainers were NTPC, up four per cent, followed by Hero MotoCorp and Adani Ports which added two per cent each.

"On the one hand, there is an acknowledgement that private sector investment is lacking, and on the other hand, the solution in the form of a 25 bps rate cut does not wholeheartedly address the burning issue of anaemic private investment. Because there is lack of incremental private sector investment, job creation is being hampered. Globally, the world is marching ahead with zero to negative real interest rates, while India has one of the highest, keeping the rupee at alleviated levels and impacting export," said Jimeet Modi, chief executive, Samco Securities.

The benchmark indices have rallied 22 per cent this year on the back of close to Rs 1 lakh crore of investment by foreign institutional investors (FIIs) and mutual funds (MFs). On Wednesday, FIIs bought shares worth nearly Rs 500 crore, while their domestic counterparts sold shares worth Rs 233 crore.

The market breadth on Wednesday was negative, with only 37 per cent of the 2,833 stocks traded on the BSE advancing, 57 per cent declining and the rest remaining unchanged.

## **2. RBI group to study MCLR regime so that your bank reduces loan rate**

Mulls linking lending rates directly to market benchmarks

Nikhat Hetavkar

Voicing displeasure over banks not doing enough to reduce lending rates, the Reserve Bank of India (RBI) said an internal group would review the working of the system to improve transmission. The central bank will also explore ways to link bank lending rates directly to market-determined benchmarks.

Though the marginal cost of funds-based lending rate (MCLR) system is an improvement over the base rate system, monetary transmission by banks has not been "not entirely satisfactory", the RBI said in statement on developmental and regulatory policies.

"The decision to review the MCLR system with a view to improve monetary policy transmission is a welcome move as a large section of any bank's portfolio is still anchored to the base rate. The MCLR in its present form is grossly misused by a few players to create an artificial pricing structure," said R P Marathe, managing director and chief executive, Bank of Maharashtra.

The MCLR was introduced in April 2016 for improving the monetary transmission. The MCLR, the internal benchmark lending rates, have to be revised monthly. This move

was in response to banks failing to transfer the benefit of rate cuts by the RBI to its customers. The MCLR rates, unlike base rates, have to take the change in repo rates into consideration and revise lending rates accordingly.

However, the RBI said the base rate of some banks continued to be significantly less than the MCLR, even after the introduction of the new system. While the extent of change in base rate may not necessarily mirror the revision in MCLR, the rigidity of the base rate deters efficient transmission of monetary policy to the real economy.

The monetary policy for August cut the repo rate by 25 basis points (bps) to six per cent. The RBI had started to soften repo rate from January 2015 and has brought it down by 200 bps since then.

Banks in India had aggressively cut lending rates in January 2017 due to inflow of cheap money into deposits after demonetisation and the resultant reduction in the cost of funds.

The repo rate for April 2015 was 7.5 per cent and had seen a reduction of 150 bps to date. During the same period, banks have cut their MCLR by 70-270 bps with public sector banks making the biggest rate cuts. During the same period, the base rate has been cut much less. For example, State Bank of India has reduced its base rate from 9.85 per cent in April 2015 to 9 per cent in July 2017.

Bankers said the decision to revise rates was based on a formula set by the RBI with limited room for discretion.

Since a large part of the floating rate loan portfolio of banks is still anchored in the base rate, the RBI plans to explore various options in the near future to link the base rate to changes in the cost of funds for banks.

The RBI study group will look at various aspects of the MCLR system from the perspective of improving monetary transmission and exploring linking of the bank lending rates directly to market-determined benchmarks. It will submit the report by September 24.

CRISIL in a report said transmission remained on course. The liquidity in the banking system had stayed in the surplus zone, facilitating a swifter transmission of interest rate cuts across instruments.

So far in the current easing cycle starting January 2015, the repo rate has been reduced by 200 bps, while rates on commercial paper (CP) and certificates of deposit (CD) have also fallen by the same extent. In level terms, too, rates offered on these papers were closer to the repo rate. That suggested monetary transmission was happening. However, there continued to be some rigidity in bank lending rates, CRISIL said.

Economic Times

### **3. Insolvency Board to pull up firms acting as resolution professionals to banks**

By *Dheeraj Tiwari*

The Insolvency and Bankruptcy Board of India (IBBI) is looking into a complaint that some professional service firms were acting as insolvency resolution professionals (IRPs) to help banks manage and restructure insolvent companies.

Under law, professional entities can't enrol themselves as an insolvency professional or become a member of another agency registered with the IBBI to do the job. According to an official aware of the matter, an independent IRP had written to the board accusing some firms of breaking this rule.

The complainant alleged that invoices were raised by these firms and not the insolvency professionals, who in most cases were employees of the firms, the official said.

There are about 800 individuals who are registered as IRPs. While professional service firms are barred from becoming an IRP, their executives can do so in their individual capacity. Most banks stay away from appointing people with no firm to back them as IRPs.

"The letter also states that there could be conflict of interest as some of the firms may have worked with these companies (in the past)," the official added. IBBI chairman MS Sahoo said the law is clear that only an individual can be the insolvency professional.

"There is a provision in the law on the issue of conflict of interest as well. If somebody is violating the law and if it is brought to our notice, we will take action," said Sahoo, refusing to divulge further details.

People from EY, PwC, Deloitte, KPMG, Grant Thornton (GT), BDO and Alvarez & Marsal (A&M) are appointed or are in the process of being appointed in 12 insolvency cases currently under process. ET reached out to all the seven firms and some of the senior partners heading the turnaround practice.

EY, PwC, GT and A&M did not respond to ET's queries until press time Wednesday. A senior executive at Deloitte India said in several situations the firm had walked away from work where its internal risk advisory teams pointed out the possibility of conflict of interest.

"We take the conflict of interest situations very seriously and we adhere to the rules completely," he added. A senior executive at BDO India said in its case, invoices were raised by individual IPs and not the firm. "Going ahead we have registered a separate entity with IBBI and only this entity will raise the invoices from the banks," this executive said.

"There's no case against the firm and we have no further comments," said KPMG. According to a partner with one of the big four firms heading the turnaround practice, no rule is being broken.

"We have deputed a full-time partner who will now help a company turnaround. There is no rule which says invoice cannot be raised by the firm," the partner said, adding: "Full disclosure was made to the lenders that help from my firm would be sought for operational and financial turnaround." Another senior executive, however, agreed that there could be a conflict of interest for a few firms.

"If any firm has in the past ever taken a single penny as fee from the same company that it is now trying turn around, there is conflict of interest," he said.

Another partner heading the turnaround practice said, "You have to understand that the size of some of the firms is so huge that it's possible that some work somewhere may have been done. The important question is, whether banks know about this."

#### **4. PNB plans Rs 6,000 cr capital mop up this fiscal**

##### **OUR BUREAU**

Punjab National Bank (PNB) will look to raise equity capital to the tune of Rs.3,000 crore this fiscal to fund its business growth, Sunil Mehta, Managing Director & CEO, has said.

This will be part of the overall Rs. 6,000-crore capital that the bank intends to raise this fiscal. The remaining Rs. 3,000 crore is expected to be raised in the form of Additional Tier-I bonds, which also qualify as capital.

The board of directors of this public sector bank had given their approval for raising equity capital to the tune of Rs. 3,000 crore through follow-on public offering/rights issue/qualified institutional placement /ESPS/ESOP route, Mehta told a press conference to announce the first quarter results.

### **Additional Tier-I capital**

Besides this equity raising plan, PNB will also look to raise another Rs. 3,000 crore through Additional Tier-I capital in the form of bonds, Mehta said.

Of the planned Rs. 3,000 crore of Additional Tier-1 capital, PNB has already raised Rs. 1,500 crore through bonds at a low rate of about 9 per cent, he said

“Total Rs. 6,000 crore capital augmentation will take place in Tier-I capital this financial year”, Mehta said.

Besides capital mop-up of Rs. 6,000 crore, PNB will also look to raise Rs. 1,000 crore from the sale of non-core assets, including stakes in some subsidiaries, Mehta told *BusinessLine*.

### **Q1 net profit**

Aided by lower cost of funds and increased retail lending (grew 16 percent y-o-y), PNB has reported a 12 per cent increase in net profit for the first quarter ended June 30 at Rs. 343.40 crore (Rs 306.36 crore).

This latest bottom-line performance was higher than March 2017 quarter net profit of Rs. 261.90 crore.

In the June quarter this fiscal, PNB’s total income was higher at Rs. 14,468 crore (Rs 13,475 crore) Operating profit grew 14.1 per cent to Rs. 3,217 crore (Rs 2,820 crore).

### **'Mission Parivarthan'**

Asked as to what had led to the improved first quarter bottom-line performance, Mehta said that the “Mission Parivarthan” that the bank had embarked upon was a driving force.

“Our entire workforce has now started doing cost benefit analysis of each transaction we are doing. The idea is to get higher profitability of every transaction. Our retail lending has also grown faster at 16 per cent. Our cost consciousness and lower cost of funds have also helped,” Mehta said.

### **Asset quality**

Mehta also hoped that there would be resolution in the nine (where PNB had exposure) of the 12 large accounts that have been referred by the RBI to be taken up for the insolvency process.

“Our total exposure in these nine accounts is Rs. 11,000 crore. The additional provision requirement for us this fiscal will be Rs. 1,000 crore, which we can easily

absorb in our operating profit. Going forward, insolvency resolution is going to present a rosy picture because in most of these accounts we already have higher provisioning," he said.

### **Additional provisioning**

Mehta said that he was hopeful that PNB would not be required to make additional provisioning of Rs.1,000 crore for these nine accounts as resolution may come faster.

For the quarter under review, provision for bad debts stood at Rs. 2,560 crore (Rs 3,166 crore). Fresh slippages in non performing assets stood at about Rs. 6,018 crore, lower than the level in the same quarter last year.

As of end June 2017, Gross NPA ratio stood at 13.66 per cent and net NPA ratio stood at 8.67 percent.

"This year will be the year of resolution. We expect major progress in resolution. Moreover under Mission Parivarthan we are focused on recovery".

### **Savings bank rate**

Asked if PNB also plans to cut savings bank interest rate on the same lines as recent SBI move, Mehta said that a formal call will be taken in the next one week. "Our ALCO has to decide this", he said.

## **5. Looking to bring down net NPAs by 10% this fiscal: United Bank of India chief**

### **SHOBHA ROY**

United Bank of India is in a bind. It has breached the risk threshold under the Prompt Corrective Action measures issued by the Reserve Bank of India due to a steady rise in stressed assets. In an interview to *Business Line*, Pawan Bajaj, Managing Director and Chief Executive Officer, United Bank of India, said the bank is now looking to grow its business, albeit cautiously. The bank has already submitted its turnaround strategy to the Finance Ministry. Excerpts:

### **Your gross non-performing assets account for nearly 15 per cent of your total advances as on March 31, 2017. How do you see your asset quality improving, going forward?**

NPA is the main concern. Except for the 12 big accounts which have been identified by the RBI for recovery under the NCLT (National Company Law Tribunal), there has hardly been any activity happening on the recovery front in other accounts.

In fact, 30-40 per cent of the restructured standard accounts are also likely to become NPAs in the next few quarters. These come from the core sector — infrastructure, power and steel.

Our exposure is ₹2,600 crore in seven of the 12 accounts identified by the RBI. It accounts for 24 per cent of our total NPA.

It (recovery through NCLT) is a time-bound programme and we are hopeful of some resolution happening soon.

Our net NPA was 9.9 per cent as on March 31, 2017. We want to bring it down by 10 per cent by the end of this fiscal.

### **How do you see your business growing this fiscal?**

Recent data suggest that credit growth has been lowest so far. A number of corporate are tapping the bond market.

We are envisaging a credit growth of 10 per cent this fiscal. We will focus on retail, MSME and agriculture. Retail accounts for 19 per cent of our total loan book at present. We would want to grow this by 15-18 per cent.

On the corporate front, we will look at sectors where there has been an improvement, like road and renewable energy. On the deposits front, we are expecting a growth of around 8 per cent.

We are not taking bulk deposits.

### **You had plans of raising capital. When and how much will you raise?**

As of March 2017, we were comfortable at a CAR of 10.88 per cent.

We have taken board approval for a QIP and Tier-I bond issue of ₹1,000 crore. Depending on market conditions and credit growth we will be raising this (amount).

### **How do you see your fee-based income growing?**

Our fee income has been growing on a quarter-on-quarter basis.

Our treasury profits have been good. We have a tie up with LIC and Bajaj Allianz for third-party products.

We are exploring tie-ups with more companies in both the life and general insurance space. This apart, we have applied to the RBI for entering the bullion business. There is good demand for bullion among jewellers.

This will also give a boost to our treasury income. We are awaiting RBI approval.

### **What are your expectations from the forthcoming monetary policy review?**

Inflation — both consumer and wholesale — is at the lowest level and we expect similar figures for the current month. In that scenario there is a scope for a 25-basis point cut in policy rates.

The G-sec market has already discounted a 25-basis point cut, but if the RBI does cut rate, banks will reduce the MCLR by 15-20 bps. This will benefit retail borrowers.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**