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Dear Comrades,

14th July , 2017

News of Interest 14th JULY

MOTIVATIONAL QUOTES

“BE BRAVE. TAKE RISKS. NOTHING CAN SUBSTITUTE EXPERIENCE. “
PAULO COELHO

HIGHLIGHTS

- 1. SBI TO CUT NEFT, RTGS CHARGES BY UP TO 75% FROM SATURDAY**
- 2. PNB & SBI INITIATES INSOLVENCY PROCEEDINGS AGAINST BHUSHAN STEEL, POWER**
- 3. NON-EXECUTIVE CHAIRMAN CAN BE PART OF BANK'S AUDIT COMMITTEE: RBI**
- 4. MERGER WITH IDFC BANK WILL BENEFIT OUR CUSTOMERS, SAYS SHRIRAM GROUP FOUNDER**
- 5. UNITED BANK PLANS TO RAISE RS 500 CR VIA BASEL III BONDS**

Business Standard

1. SBI to cut NEFT, RTGS charges by up to 75% from Saturday

All the new charges will attract GST rate of 18 per cent

Press Trust of India

In a push to digital payments, state-owned lender SBI will cut charges on electronic transfer of funds through NEFT and RTGS by up to 75 per cent from Saturday, benefiting nearly 5.27 crore customers, a release said today.

"The reduced charges will be applicable on the transactions done through internet banking (INB) and mobile banking (MB) services offered by the bank," it said while releasing the revised NEFT and RTGS charges from July 15.

As per the revised schedule, the NEFT charges on fund transfer up to Rs 10,000 have been halved to Re 1, and to Rs 2 for up to Rs 1 lakh.

For transfers between Rs 1 lakh and Rs 2 lakh, the NEFT charge will be reduced to Rs 3 from the existing Rs 12. The charge above Rs 2 lakh has been fixed at Rs 5 as against the current Rs 20.

For RTGS transactions, the charges will be Rs 5 for transactions between Rs 2 lakh and Rs 5 lakh. Currently, the bank charges Rs 20 for such transaction.

If a customer transfers more than Rs 5 lakh through the RTGS channel, he will be charged Rs 10 as against Rs 40 currently.

There are different charges if the fund transfers are made in bank branches through executives. All the new charges will attract GST rate of 18 per cent.

The country's largest lender has also waived charges for fund transfer of up to Rs 1,000 done through Immediate Payment Service (IMPS).

"In sync with our strategy and complementing the focus of Government of India to create a digital economy, we have taken one more step to promote use of internet banking and mobile banking for doing NEFT and RTGS transactions by reduction of the charges," said Rajnish Kumar, Managing Director, State Bank of India.

At March-end, SBI had 3.27 crore Internet Banking customers and nearly 2 crore Mobile Banking customers.

SBI is one of the top 50 global banks and the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The company had deposit base of Rs 25.85 lakh crore as on March 31 this year.

2. PNB & SBI initiate insolvency proceedings against Bhushan Steel, Power

Bhushan Steel and Bhushan Power has a liability of around Rs 43,000 cr and Rs 37,000 cr respectively

[Veena Mani](#) & [Sayan Ghosal](#)

The State Bank of India (SBI) on Thursday took beleaguered steel company Bhushan Steel to the National Company Law Tribunal (NCLT) in Delhi. Its sister company, Bhushan Power, has also been taken to the NCLT's Delhi bench by the public sector Punjab National Bank (PNB).

Both the petitions have been filed under the Section 7 of the Insolvency and Bankruptcy Code (IBC), 2016, where the financial creditor initiates insolvency proceedings with a claim.

The hearings were adjourned till July 19. Bhushan Steel, the biggest stressed asset, has pleaded for corporate insolvency resolution process to be initiated.

Bhushan Steel has a liability of around Rs 43,000 crore towards more than 20 banks. While the chunk of term lending was by SBI, the working capital loan had been extended by PNB. Bhushan Power has a liability of around Rs 37,000 crore towards a number of banks.

Bhushan Steel and Bhushan Power are two of the 12 firms whose names were recommended by the Reserve Bank of India (RBI) for initiation of corporate restructuring through the insolvency route. It had even received approval from 60 per cent of the member banks, amounting to 75 per cent of loan value for the scheme, in the joint lending forum.

The company tried to restructure itself through the sustainable structuring of stressed assets (S4A) route earlier this year. According to RBI's S4A scheme, banks

are required to establish through a forensic audit that there was no malfeasance on the part of the promoter. If the audit finds anything adverse, S4A cannot be implemented unless there is a change in ownership or management is not vested with the delinquent promoters.

Bhushan Steel is the third-largest secondary steel producer in the country with 5.6 million tonnes (mt) of secondary steel capacity. In 2016-17, the company saw better sales buoyed by exports. Its gross sales were Rs 4,000 crore for the quarter ended December 31, 2016, against Rs 2,747.68 crore during the same period in 2015-16.

Economic Times

3. Non-executive chairman can be part of bank's audit committee: RBI

PTI

Reserve Bank today said the non-executive chairman of a bank can also be nominated to the audit committee of board of directors.

Earlier, any one of the non-executive/non-official directors was supposed to chair the audit committee of the board of the directors of a public sector bank.

In 2015, the government had bifurcated the posts of chairman and managing directors in Public Sector Banks (PSBs). While the chairman became responsible for overall policy directions, managing director and chief executive officer (MD&CEO) became the executive head, accountable for day-to-day functioning of bank.

"It is clarified that in banks where the board of directors is chaired by a non-executive Chairman, there will not be any restriction if he/she is also nominated to the audit committee of the board of directors," RBI said in a notification.

Business Line

4. Merger with IDFC Bank will benefit our customers, says Shriram group founder

M RAMESH

Shriram City Union Finance, which is proposed to be merged with IDFC Bank, had a rather strange beginning. It started as a partnership firm in order to financially support violin maestro Lalgudi Jayaraman, for whose art the Shriram group's founder, Ramamurthy Thyagarajan, has had a mindless devotion. The motivation for starting SCUF exemplifies Thyagarajan's business philosophy, which he ceaselessly articulates: service to the society — profits are important, but incidental.

In 1974, RT (as he is called) quit his job as an officer with New India Assurance Company to start a chit fund business to finance truckers — a community he had extensively dealt with at New India. Years later, the Shriram group would occupy a niche as a used-truck financier, an area where banks feared to tread. In the first decade of this century, the group set up both life and non-life insurance businesses, both of which are profitable today.

And, now, the group is to be "merged" with IDFC and IDFC Bank, a move that the market has given thumbs down to. *Business Line* caught up with RT to find out how the man who founded the group looks at the move. Excerpts:

The financial services companies of the group (Shriram Transport Finance Corporation and Shriram City Union Finance and the two insurance companies) have all been doing well. Why are you trying to fix something that ain't broke?

We are not trying to fix anything. We are very good in deposit mobilisation, but we are not in a position to give the whole range of financial services to our customers. The merger will enable us to do so.

But your not being a bank was not affecting your business in any way.

I will put it the other way. Our customers will get more advantages if we are a bank. For instance, our truck operators could open a savings account, get a credit card, etc. They will benefit, and because they benefit we will make (more) profits.

You have been personally opposed to converting your NBFCs into a bank.

No, that is wrong. I was never opposed to that. I said it was not possible for us to conform to RBI regulations.

A loss of Shriram identify is feared.

IDFC Bank is a young organisation, it does not have a legacy. It has not developed a rigid culture, whereas Shriram group has a culture. It is very likely that this culture will influence the growth and development of IDFC.

They don't come with a preconceived notion as to how to run the bank. So Shriram's influence on the bank will be there, though Shriram's people will not be running it.

Apart from being able to open savings and current accounts, how will your customers benefit?

What more we can do with banking we will be guided by IDFC, because we ourselves do not know much about banking.

But IDFC Bank itself is less than two years old.

Rajiv Lall and others are specialists in banking. They know more about banking, banking regulations, RBI interface, etc. So, if we want to participate in banking, I would only say, participate — we are not going to run it.

But it does look like giving away your beautiful daughter in marriage to a groom who has yet to prove himself.

If you accept that argument you will never do anything new. The beautiful bride will remain unmarried. You have to take a chance.

Are you taking a chance here?

Of course. Every decision is taking a chance. If you are a wise person the chances of the decision going wrong are less. We believe that having been around for 35 years, we have acquired a certain amount of wisdom, because we have made some mistakes in the past and have learnt from them.

Your philosophy has been that a business is primarily meant to serve the society, and profits are incidental. This is not how most others look at — businesses are run for maximising shareholders' wealth. With this merger, do you not think your business philosophy will get diluted?

No. Ajay Piramal shares the same philosophy. He also considers business to be a way of serving the society.

But Ajay Piramal is not running IDFC.

Even Rajiv Lall's thinking is the same. I have spent some time with Rajiv Lall, I have studied his background. I know his thinking is the same. He is an idealist. I am convinced that he thinks of business and its role in the community exactly the same way as I and Ajay Piramal think.

So, you are handing over the daughter to the right groom?

I would not say we are handing over anything to anybody. We are just bringing a few organisations together. It is a merger, not a takeover of one by another.

Who will be running the merged entity?

It is not a question of who. "We" will be running the business. Ajay Piramal, Sanlam, IDFC, all of us will be running it, because all of us have stakes in it, all of us have interest in it.

There is a perception that this merger has happened due to the Shriram group's inability to bring in a succession plan.

We have been having a series of succession plans, each better than the one before. First we had Arun Duggal as the Chairman, then we felt it would be better for the long term to have Ajay Piramal. Now we believe that the merger with IDFC will be better.

When such a major move was imminent, what was the need to change the CEO of Shriram Capital and bring in Rajesh Ladda?

The decision to bring in Rajesh Ladda was taken in October 2015, but it was delayed because Ajay Piramal needed him elsewhere. In the interim period, he (Ladda) has been working as if he was the CEO of Shriram Capital. He has not stepped in because of this or that.

Another criticism is that the shareholders of Shriram Transport will now hold shares in a listed holding company, and be subject to 'holding company discount'.

In this part of the world, conglomerates have done much better. Therefore, there should be a 'holding company premium'. Secondly, even after 'discount' if IDFC is going to do well because of the profits of Shriram Transport, its profitability will go up.

How will the other leading executives in the Shriram group, such as Akhila Srinivasan, R Sridhar, Jasmit Gujral, and Subhashri Sriram, take this move?

We would tell them, you taste the food when the cooking is complete. Then come to a judgment whether it was good or bad. By merely looking at the recipe don't come to a conclusion. And the sensible people among them will take the same stand.

5. United Bank plans to raise Rs 500 cr via Basel III bonds

PTI

United Bank of India plans to raise up to Rs. 500 crore through issuance of Basel III compliant bonds on a private placement basis.

"The board of directors of the bank... approved issuance and allotment of unsecured Basel III compliant, listed, tier-2 bonds in the form of promissory note... with or without green shoe option, aggregating up to Rs. 500 crore on a private placement basis," the bank said in a regulatory filing.

UBI stock was trading at Rs. 20, up 1.01 per cent, from its previous close, on the BSE.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY