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Dear Comrades,

20th July , 2017

News of Interest 20th JULY

MOTIVATIONAL QUOTES

“WITH THE NEW DAY COMES NEW STRENGTH AND NEW THOUGHTS. “

ELEANOR ROOSEVELT

HIGHLIGHTS

- 1. CANARA BANK Q1 NET UP 10% TO RS 252 CRORE**
- 2. RBI PLANS TO SEND NEW LIQUIDITY TOOL PROPOSAL**
- 3. BANKS TO TAKE RS 2.4 TRILLION HAIRCUT TO RESOLVE TOP 50 NPA ACCOUNTS, SAYS CRISIL REPORT**
- 4. THE RS 2000 QUESTION: WHERE HAVE THE PINK NOTES GONE?**
- 5. RS 20 NOTES IN MAHATMA GANDHI 2005 SERIES TO BE OUT SOON**
- 6. KARNATAKA BANK TARGETS □6,800 CR FARM CREDIT**

Business Standard

1. Canara Bank Q1 net up 10% to Rs 252 crore

Higher-than-expected slippages pushed provisions for non-performing assets to 54%

Abhijit Lele

Weighed down by bad loans provisions, public sector lender Canara Bank posted just 9.9 per cent growth in net profit to Rs 252 crore for the first quarter ended June 30. The bank's net profit in the April-June quarter of the previous financial year was Rs 229 crore.

The bank's net interest income (NII) rose 17.6 per cent to Rs 2,713 crore, while its non-interest income increased by 33.06 per cent to Rs 2,109 crore in Q1FY18. However, higher-than-expected slippages pushed provisions for non-performing assets (NPAs) to 54 per cent, putting pressure on the bottom line.

The stock of the Bengaluru-based lender closed 0.58 per cent up at Rs 371 on the BSE. On the asset side, its quality worsened, with gross NPAs rising to 10.56 per cent in June 2017, up from 9.71 per cent in Q1FY17.

In a conference call with analysts, Rakesh Sharma, managing director and chief executive, Canara Bank, said it was a tough quarter.

The slippages of Rs 5,511 crore were higher than estimates. Out of these, four large corporate accounts had a share of Rs 2,712 crore and the small accounts (below Rs 1 crore) of Rs 792 crore as they lost moratorium enjoyed after demonetisation. The slippages in normal course were of about Rs 2,002 crore. Net NPAs or bad loans were 7.09 per cent of net advances on June 30, compared to 6.69 per cent a year ago.

There was a spike in the bank's provisioning for NPAs to Rs 2,270 crore as against Rs 1,469 crore a year ago. Its provision coverage ratio (PCR) improved and stood at 54.52 per cent at end of Q1 FY18 from 50.82 per cent at end of Q1FY17. It expects to improve PCR by 2-3 per cent each year.

As for exposure to 12 big NPA cases, the bank said they constituted NPAs worth Rs 10,200 crore. The bank already holds provisions of Rs 5,600 crore for these accounts and have to make additional provisions of Rs 2,200 crore over three quarters.

On being the anchor bank for merging weak public sector banks with it, Sharma said at present discussions were at the government level only and the bank was not involved in it.

Its capital adequacy ratio improved to 12.61 per cent from 12.11 per cent a year ago. The bank would seek shareholders' nod to raise Rs 3,500 crore through fresh issue of equity shares.

2. RBI plans to send new liquidity tool proposal

RBI will submit details of how it proposes to implement the tool

Siddhartha Singh & Subhadip Sircar

The Reserve Bank of India (RBI) will submit a fresh proposal to the government for introducing a new liquidity management tool as it grapples with strong foreign inflows, sources said.

The decision to reconsider the so-called standing deposit facility, or SDF, was taken at a meeting between the new Economic Affairs Secretary Subhash Chandra Garg and RBI Deputy Governor Viral Acharya on Monday, the people said, asking not to be identified.

After a change of guard at the finance ministry with Garg taking charge from Shaktikanta Das, the government has eased its opposition to the new liquidity tool as absorbing flows with the existing set of instruments becomes challenging. The ministry had earlier opposed a proposal to introduce the tool on the grounds that it gave the central bank the discretion to set interest rates outside the purview of the monetary policy panel.

The RBI will submit details of how it proposes to implement the tool, the people said. The SDF doesn't require the central bank to give any collateral to lenders when it mops up cash.

Flows has picked up pace as emerging markets continue to benefit from the US Federal Reserve's paced interest-rate increases. Overseas investors have bought \$20.2 billion worth of local bonds so far in 2017, according to depository data. Stocks have seen \$8.5 billion worth of inflows. The central bank has been regularly

intervening in the forex market to mop up inflows, according to Mumbai-based traders.

Finance ministry spokesman D S Malik couldn't be immediately reached for comment. A spokeswoman for the RBI didn't immediately respond to an e-mail seeking comment.

Earlier this month, the RBI resumed the open market sale of bonds for the first time since October, as it seeks to manage the excess banking liquidity. Liquidity has seen a large surplus since Prime Minister Narendra Modi's surprise note ban in November, and though the excess has come off, it still remains far from RBI's target of neutral cash in the system.

Financial Express

3. Banks to take Rs 2.4 trillion haircut to resolve top 50 NPA accounts, says Crisil report

Banks are likely to take a haircut of Rs 2.4 trillion, or nearly 60 per cent, to resolve 50 large stressed accounts, said a Crisil report today

By: PTI

Banks are likely to take a haircut of Rs 2.4 trillion, or nearly 60 per cent, to resolve 50 large stressed accounts, said a Crisil report today. These 50 companies are from the metals (30 per cent of total debt), construction (25 per cent) and power (15 per cent) sectors, and account for half of the Rs 8 lakh crore non-performing assets (NPAs) in the banking system as on March 31, 2017. "Banks may have to take a haircut of 60 per cent, worth Rs 2.4 lakh crore, to settle 50 large stressed assets with debt of Rs 4 lakh crore," the rating agency said.

The haircuts have been classified into four categories – marginal (less than 25 per cent), moderate (25-50 per cent), aggressive (50-75 per cent) and deep (more than 75 per cent). A quarter of the debt analysed needs marginal or moderate haircuts, while a third needs aggressive, and nearly 40 per cent deep haircuts, the report said.

Companies from the power sector would require moderate haircuts, while those from the metals and construction sectors would need aggressive ones," the rating agency's chief analytical officer, Pawan Agrawal, said. A majority of the debt requiring deep haircuts belong to companies with unsustainable businesses so asset sales are necessary to recover monies, Crisil said. Companies needing moderate or aggressive haircuts had gone for debt-funded capex but then demand slumped, or had projects that ran into regulatory issues leading to significant time and cost overruns that made them unviable.

Companies needing marginal haircut are those facing temporary setbacks, which could be corrected over time, the report said. "It would be in the larger interest of the economy to pop the bitter pill of haircut than kick the can down the road," the rating agency said.

Economic Times

4. The Rs 2000 question: Where have the pink notes gone?

By *Pratik Bhakta* , ET Bureau

A shortage of Rs 2,000 notes in recent weeks and months has stumped bankers and ATM operators who are already grappling with cash shortage in some parts of the country due to heavy usage and hoarding.

Bankers and ATM service providers say that there has been a sharp drop in the number of Rs 2,000 notes in circulation. Supply of new notes from the central bank

has plummeted in recent weeks leading to speculation that it could be a deliberate strategy to restrict the flow of high-value in the economy.

"Presently we are receiving currency notes from the Reserve Bank in the denomination of Rs 500 in high-value currency," said Neeraj Vyas, chief operating officer of State Bank of India. "The 2,000 denomination notes are coming over the counters by way of recirculation."

There are around 58,000 ATMs of SBI out of the 2.2 lakh deployed in the country.

The country's biggest bank has also moved a step ahead of its peers to recalibrate the Rs 2000. currency cassettes in a few of its ATMs to Rs 500 currency ones so that more cash can be stuffed inside the machines.

An email sent to RBI seeking comments was not answered. But the central bank continues to pump in Rs 500 currency notes ensuring that there is no overall cash crunch which was seen during demonetisation last year.

Bankers say that this could be part of the strategy of the RBI to keep a leash on the total amount of high-value currency in circulation.

"While there is a definite shortfall in the supply of Rs 2,000 denomination notes, overall supply is fine as banks are giving out sufficient Rs 500 notes which is convenient for the consumer as they can get change easily for smaller currency notes," said Ravi Goyal, managing director of AGS Transact Technologies which manages around 60,000 ATMs in the country on behalf of banks.

The RBI rushed to print Rs 2,000 notes immediately after demonetisation was announced in November last year and that supply may have reached a level that the central bank is not comfortable with now, bankers said. This may be a conscious strategy to curb the new supply of high-value notes and print more low-value notes like Rs 500 or even Rs 200 which may be introduced soon.

"A new phenomenon that is now happening in the market is that Rs 2,000 notes are not coming in for deployment at ATMs and along with this, we see a 12% increase in the average ticket size of ATM cash withdrawals post demonetisation," said Loney Antony, managing director of Hitachi Payment Services which manages more than 50,000 ATMs in the country.

Higher number of Rs 2,000 notes?

Based on RBI data, Hitachi has calculated that notes in circulation with a value of Rs 100 and lower crossed Rs 4 lakh crore in May from around 2.5 lakh crore before demonetisation. The Rs 500 denomination went down to Rs 4.1 lakh crore from Rs 8.1 lakh crore in November. The Rs 2,000 denomination dipped to Rs 5.5 lakh crore in May from the Rs 1,000 denomination notes of Rs 6.4 lakh crore in November.

If this calculation is correct, it clearly shows a higher number of Rs 2,000 notes in circulation compared with Rs 500 notes.

"The relevant currency which has come back to be stuffed into cash dispensing machines is still less by around 25%," said Antony. "There are still problems of cash hoarding in certain regions of the country."

Antony was alluding to the fact that the currency in circulation has still not reached pre-demonetisation levels. Latest RBI data shows that the currency with the public is at Rs 14.5 lakh crore as of June 23, six months after demonetisation.

This is against Rs 17 lakh crore just before the notes were recalled.

Industry executives who manage ATM networks say they can stuff around Rs 25 lakh in 500 notes in a machine and another Rs 2 lakh in 100 denomination notes, which usually lasts for three to four days depending on the location of the machine.

While that would help make up for some of up for some of the Rs 2,000 note shortage, it may not help in cases where cash runs out very fast due to high usage or hoarding. Vyas said that they are finding shortage of cash in cities such as Patna, Kolkata and across the Andhra-Telangana region.

5. Rs 20 notes in Mahatma Gandhi 2005 series to be out soon PTI

The Reserve Bank will shortly issue bank notes of denomination Rs. 20 in Mahatma Gandhi series 2005 that will be similar in design to those currently in circulation.

The new notes will be bearing inset letter 'S' in the number panel and signature of Governor Urjit R Patel, the RBI said in a notification today.

Both the number panels will have inset letter 'S', the RBI said, adding that the design of these banknotes to be issued now is similar in all aspects to the Rs. 20 banknotes in the same series issued earlier.

"All the banknotes in the denomination of Rs. 20 issued by the Bank in the past will continue to be legal tender," the RBI added.

6. Karnataka Bank targets ₹6,800 cr farm credit

OUR BUREAU

Karnataka Bank Ltd is targeting a farm credit of ₹6,800 crore during 2017-18, constituting 18.09 per cent of adjusted net bank credit as against the minimum regulatory requirement of 18 per cent.

Delivering the keynote address at the 'Agri Business Conference' of the bank in Mangaluru on Wednesday, Mahabaleshwara MS, Managing Director and Chief Executive Officer of the bank, said that the bank had achieved its agriculture advance target of 18 per cent in 2016-17, and it is confident of maintaining the achievement level in future.

He said that timely extension of farm credit, technical counselling, marketing input to farmers to reap maximum benefit and thereby ensuring timely renewal shall be focused by agri business managers to have a commercially viable farm portfolio. This is remunerative to both the bank and farmers.

As the farmers ensure food security to the country, banks should play a proactive role by extending a helping hand, he said.

The branches were also advised to focus on potential areas such as warehouse receipt finance, loans for harvesting and transportation, and finance for farm mechanisation.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY