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Dear Comrades,

26 th July , 2017

News of Interest 26th JULY

MOTIVATIONAL QUOTES

“THE BIGGEST ADVENTURE YOU CAN TAKE IS TO LIVE THE LIFE OF YOUR DREAMS. “
OPRAH WINFREY

HIGHLIGHTS

- 1. 10 PSU BANKS SUBMIT TURNAROUND PLANS**
- 2. AXIS BANK NET DIPS 16% IN Q1**
- 3. NAME TOP 100 BANK LOAN DEFAULTERS, DEMANDS OPPOSITION IN RAJYA SABHA**
- 4. BANKS EXPRESS CONCERN OVER DECLINE IN LOAN RECOVERY**
- 5. UNION BANK TO RAISE ₹3,500-CR CAPITAL**
- 6. LVB NET UP 9%**

Business Standard

1. 10 PSU banks submit turnaround plans

Indian Overseas Bank is currently in the process of preparing its turnaround plan
[Press Trust of India](#)

As many as 10 state-owned banks, including Bank of India, IDBI Bank and Union Bank, have submitted their turnaround plans to the government, which is a pre-requisite for getting fund infusion, Parliament was informed on Tuesday.

Allahabad Bank, Andhra Bank, Central Bank of India, Dena Bank, Uco Bank, United Bank of India and Bank of Maharashtra are the other public sector lenders who have submitted their plans.

Indian Overseas Bank is currently in the process of preparing its turnaround plan, said Minister of State for Finance Santosh Kumar Gangwar in a written reply in the Rajya Sabha.

"It has been decided that any future capital infusion in these banks shall be subject to achievement of select agreed upon milestones according to the turnaround plan on quarterly basis," the minister said.

A monitoring mechanism has been put in place, whereby quarterly performance of these banks would be monitored by SBI Capital Markets, who in turn would keep the Department of Financial Services informed about the same.

"Banks that will not be able to deliver on the agreed upon turnaround plan for a period of two years will be identified as banks eligible for alternative recourse," Gangwar added.

During recapitalisation exercise undertaken last fiscal year, the government had decided that 25 per cent of the total capital requirement of banks (Rs 8,586 crore) will be allocated after achievement of benchmarks set up for select parameters. There are 21 public sector banks.

2. Axis Bank net dips 16% in Q1

Little support from interest income weighed on net profit, though it bettered Street's expectations

Nikhil Hetavkar & Hamsini Karthik

Private sector lender Axis Bank reported a 16 per cent year-on-year (y-o-y) fall in net profit to Rs 1,306 crore in the June quarter (Q1) on the back of flat net interest income (NII). NII, which is interest earned minus interest expended, rose 2.2 per cent in Q1 to Rs 4,616 crore from Rs 4,517 crore a year ago. However, non-interest income at Rs 3,000 crore, up 9.6 per cent y-o-y in Q1, came in handy for the bank.

Net interest margins (NIMs; a key profitability indicator) stood at 3.63 per cent in Q1 against 3.67 per cent in the corresponding quarter last year. The dip in NIMs was due to customers migrating to marginal cost of funds-based lending rate or MCLR. The bank guided for another 20-basis point (bp) reduction going ahead.

While the Q1 results were lower than its performance a year ago, it was better than what the Street anticipated. The Axis Bank stock rose by about two per cent in Tuesday's trade to close at Rs 544.65 per share. As results came after market hours, and with numbers bettering expectations on core operations and asset quality fronts, analysts feel the Street may react positively to the results in Wednesday's trade as well.

The bank's asset quality saw a marginal improvement as gross non-performing assets (NPAs) stood at 5.03 per cent in Q1 as against 5.04 per cent in the March quarter. Gross NPA, in absolute terms, more than doubled to Rs 22,031 crore on a y-o-y basis, but on a sequential basis the increase was contained at 3.5 per cent. The watch list or loan accounts which require close monitoring (and have potential to turn bad) also reduced from Rs 20,295 crore a year-ago to Rs 7,941 crore in Q1 of FY18; in the March quarter, it was Rs 9,436 crore.

Creation of bad loans or slippages also took a marginal breather this quarter. Slippages stood at Rs 3,519 crore in Q1 as against Rs 3,683 crore a year ago. Nonetheless, slippages outside the watch list remained high at Rs 1,500 crore. Going ahead, Chief Financial Officer Jairam Sridharan, in a media call, said the trend of non-watch list slippages may remain high as the watch list may gradually shrink. Nonetheless, analysts believed this was still a positive as about 75 per cent of the pain had been recognised from the watch list. "Going by Q1 performance, the worst may be behind Axis Bank," said Asutosh Kumar Mishra of Reliance Securities. "With

incremental pain recognition getting smaller, the turnaround seems sustainable if supported by core operations going forward.”

In fact, despite the weak lending climate, Axis Bank’s focus on retail loans has helped the bank grow its assets by 12 per cent y-o-y to Rs 3,85,481 crore in Q1. While retail loans, which account for 46 per cent of the total loan book, grew by 22 per cent y-o-y in Q1, there was a three per cent growth in the wholesale book, though much of it was driven by working capital loans. Deposits also grew to Rs 3,93,741 crore (up 10 per cent y-o-y) in Q1, supported by a strong growth of low-cost Casa (current account savings account) deposits. Share of Casa deposits stood at 49 per cent in Q1.

After seeing some capital consumption in the March quarter, the lender’s capital adequacy was back to a comfortable 16.63 per cent level in Q1. Tier-I capital stood at 12.33 per cent helped by Rs 3,500 crore raised through issuance of AT-1 bonds. The bank also raised Rs 5,000 crore through Tier-II bonds in Q1.

Lastly, Sridharan rejected media reports of the bank’s CEO, Shikha Sharma, moving out of the bank. Reports had suggested her possible shift to the Tata group, but Sridharan rejected these claims.

Financial Express

3. Name top 100 bank loan defaulters, demands Opposition in Rajya Sabha

Opposition parties in the Rajya Sabha today demanded publication of the names of top 100 loan defaulters and sought to know under whose protection they were “thriving”

By: PTI

Opposition parties in the Rajya Sabha today demanded publication of the names of top 100 loan defaulters and sought to know under whose protection they were “thriving”. Raising the issue through a point of order, Naresh Agrawal (SP) said the Reserve Bank of India (RBI), at a recent meeting of the parliamentary committee, had stated that 12 biggest loan defaults accounted for 25 per cent of the total NPA or bad debt in the country. But the RBI has refused to publish their names, he said, adding if a student or a farmer defaults on loan, his or her name is published. But the big corporate loan defaulters are not being named, he said. “Is Parliament greater or the RBI,” he asked. He demanded that the top 100 loan defaulters should be identified and their names published. The country deserves to know “who these people are and under whose protection are they thriving,” he said. He sought a response from Leader of the House and Finance Minister Arun Jaitley, who was present in the House. But Jaitley did not offer any comments. Deputy Chairman P J Kurien said the matter raised is important but not a point of order.

To this, Agrawal said Parliament approves the Budget and also the capital to be infused in the public sector banks. But his pleas were unheeded. But members of almost all opposition parties supported Agrawal’s demand. Public sector banks are saddled with non-performing assets (NPAs) or bad loans to the tune of a staggering Rs six lakh crore. Bad loans rose by over Rs one lakh crore in the first nine months of last fiscal to Rs 6.07 lakh crore by December 31, 2016.

Gross NPAs of public sector banks stood at Rs 5.02 lakh crore at the end of March 2016, up from Rs 2.67 lakh crore at the end of March 2015.

Economic Times

4. Banks express concern over decline in loan recovery

PTI|

Banks today expressed "serious concern" over the decline in farm loan recovery even as the Punjab government sought from bankers to provide detail of 10.25 lakh beneficiary farmers as quickly as possible to give final shape to a loan waiver scheme, sources said.

In their first meeting with Punjab Finance Minister Manpreet Badal in connection with debt waiver, banks told the state government that the farm loan repayment plummeted after the announcement of debt waiver and warned the government that farmers would have to pay exorbitant interest if their accounts remained irregular for long.

"We expressed our concern with the state government about the loan recovery. We have told the government that loans should remain regular. If the repayments stop, then farmers will not be eligible for interest subvention of three percent," said a bank official.

Banks also asked the state government to announce the cut-off date till which the debt waiver benefit will be available to eligible growers.

Notably, banks in Punjab had stopped fresh lending to growers who were making default in repayments in anticipation of debt waiver with loan recoveries plummeting by as much as 60 per cent in the state.

Meanwhile, under mounting pressure to implement farm debt waiver, the Punjab government asked the bankers to provide detail of 10.25 lakh beneficiary farmers as quickly as possible.

Business Line

5. Union Bank to raise ₹3,500-cr capital

OUR BUREAU

Union Bank of India plans to raise ₹3,500 crore this fiscal to support its credit growth and provisioning requirements.

"Though the capital position is comfortable, we plan to raise some capital through QIP and have sought ₹1,750-crore infusion from the government," said G Rajkiran Rai, Managing Director & Chief Executive Officer, Union Bank of India (UBI).

UBI is ready with a QIP plan and it will be executed based on the government's capital infusion.

The bank plans 10 per cent credit growth this fiscal and there are provisioning requirements because of NCLT accounts, said Rai.

Retail, Agriculture and MSME which account for about 53 per cent will drive credit growth this fiscal. The bank is targeting to take it to 55 per cent in the next three years.

It will not shy away from lending to big corporate and is keen on lending to projects in the renewable power sector and hybrid annuity model projects in the road sector.

Rai also said the textile industry, which faced stress in the recent past, was creating jobs, particularly by medium level units, and the bank would lend to them.

In MSME loans, under the SME Saral concept, the bank has moved towards centralisation of sanctions by back offices instead of handling these at various

branches. "This will quicken the process, and the quality of underwriting will improve," he said.

Domestic business

UBI's domestic business stood at ₹6,50,000 crore as of March 2017. The bank has set a target of taking this to ₹8,50,000-9,50,000 crore by 2020.

On the asset quality side, Rai admitted that slippages have not slowed down to expected levels. "Incremental slippages were coming more from strategic debt restructuring and other failures," he said

6. LVB net up 9%

OUR BUREAU

Lakshmi Vilas Bank (LVB) has reported a 9 per cent increase in net profit at ₹66 crore for the quarter ended June 30, 2017, compared with ₹61 crore in the year-ago period.

Though other income clocked a significant increase, higher provisioning led to moderate growth in bottom-line. Provisions and contingencies zoomed to ₹112 crore, compared with ₹35 crore in the year-ago period. Other income rose to ₹157 crore, up from ₹89 crore in the year-ago period.

Its operating profit stood at ₹199 crore, compared with ₹126 crore in Q1 of the previous fiscal, an increase of 58 per cent.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY