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**Dear Comrades,**

**28th June , 2017**

**News of Interest 28th JUNE**

### **MOTIVATIONAL QUOTES**

**“OBSTACLES ARE THOSE FRIGHTFUL THINGS YOU SEE WHEN YOU TAKE YOUR EYES OFF YOUR GOAL. “ HENRY FORD**

### **HIGHLIGHTS**

- 1. GOVT MAKES FRESH ATTEMPT TO REVIVE IDBI BANK**
- 2. INSOLVENCY: NO NEED FOR ADDITIONAL PROVISIONING FOR 12 NPAS, SAYS SBI CHIEF**
- 3. GROWING NUMBER OF PRIVATE AND PSBS INTRODUCING HUMANOID ROBOTS TO ANSWER BASIC CUSTOMER QUERIES**
- 4. DENA BANK PLANS TO RAISE RS 1,800 CR VIA QIP**
- 5. BANKS MAY HAVE TO TAKE 60% HAIRCUT ON 50 TOP NPAS: CRISIL**

Business Standard

#### **1. Govt makes fresh attempt to revive IDBI Bank**

Reserve Bank of India last month put IDBI Bank under watch by initiating Prompt Corrective Action

Dilasha Seth

Privatisation of IDBI Bank might be further delayed, with the government making a fresh attempt to revive the state-owned lender after fresh slippages were reported over the last two quarters that derailed the stake sale plan. The recovery plan includes capitalisation through non-core assets sale, hiving off subsidiaries, controlling expenses and remodelling the business.

The qualified institutional placement (QIP) plan was put off after the bank reported an increase in the level of non-performing assets (NPAs).

“Efforts are on to turn around the bank as we do not want to sell it at a throwaway price. The QIP couldn’t take off after the bank’s performance worsened over the last two quarters. Seven merchant bankers were appointed for the QIP,” said a senior government official. He said since a complete turnaround will take a long time, the government is waiting till it can capture the value from the stake. “At the moment we will get a ridiculous price. So it is better to wait a little,” he said.

IDBI Bank saw its net loss widen to Rs 3,199.76 crore in the fourth quarter of 2016-17 compared to a net loss of Rs 1,735.81 crore in the corresponding quarter last year. Its asset quality worsened with gross NPAs touching 21.25 per cent of gross advances by the end of March, from 15.16 per cent in the third quarter ended December 31.

The government holds over 70 per cent stake in the bank. The Reserve Bank of India (RBI) last month put IDBI Bank under watch by initiating Prompt Corrective Action, putting various restrictions on the lender including on fresh loans and dividend distribution.

The government has suggested that IDBI Bank should exit from associate companies and subsidiaries. The state-owned bank may sell stake in IDBI Federal Life Insurance, IDBI Capital Market Services, IDBI Intech, IDBI MF Trustee Co and IDBI Trusteeship Services.

“It should also exit from SIDBI, from which it could garner Rs 3,000 crore,” said another official. In addition, government has also asked it to offload real estate assets.

The bank has also set up a separate cell called NPA management and credit monitoring group to monitor bad loans. Domestic rating agency Icria downgraded various debt instruments of the bank on account of weak profitability and deteriorating asset quality that resulted in erosion of its capital.

Finance Minister Arun Jaitley had in his Budget speech last year said ‘the government was committed to reducing its stake in IDBI Bank to under 50 per cent. Life Insurance Corporation of India (LIC) will infuse Rs 406.9 crore in IDBI Bank increasing its stake 14.25 per cent in the state-owned lender from 13.76 per cent at present. According to the proposal, IDBI Bank’s gross non-performing assets must be brought below the 3 per cent-level by FY19. For the proposed 4,000-crore QIP, the bank had reportedly appointed seven merchant bankers — Deutsche Bank, Credit Suisse, SBI Caps, Bank of America Merrill Lynch, HSBC India, Citigroup and IDBI Capital Markets.

As part of the recapitalisation plan, the government will infuse Rs 10,000 crore in public sector banks struggling with mounting NPAs.

A section of officers and employees of IDBI Bank went on a strike last year protesting against the government’s plan to reduce its stake to below 50 per cent. The Bank has around 17,500 employees.

**2. Insolvency: No need for additional provisioning for 12 NPAs, says SBI chief**

Total NPA provisioning of banks stood at Rs 2.2 trn as of FY17, up from Rs 2 trn in FY16

### Press Trust of India

The nation's largest lender State Bank today ruled out the additional provisioning towards the 12 largest NPA accounts which have been referred to insolvency proceedings denting the bottom line very hard as most of the provisioning has already been done.

"The increased provisioning requirements, more or less, in all of these accounts we have pretty large provisions. But yes, we have to make a little more but it should not very badly impact our earnings going forward," chairman Arundhati Bhattacharya told reporters after the AGM here this late evening.

She was responding to questions from the media about the possibility of increased provisioning towards the 12 RBI- referred accounts impacting the bank's bottom lines.

It can be noted that domestic rating agency Crisil had yesterday estimated that led by public sector banks, lenders will have to take a huge haircut towards these NPAs.

It has pegged an additional burden of Rs 40,000 crore or 25 per cent more towards provisioning for these 12 accounts which have been sent for insolvency by RBI.

These 12 large accounts had become NPAs by end-March 2016 and Crisil estimates show the banks had already provisioned 40 per cent for these NPAs worth Rs 2 trillion or about Rs 80,000 crore.

"We estimate a 60 per cent haircut would be needed on these loan assets. That would mean banks will have to increase provisioning by another 25 per cent or Rs 40,000 core more this fiscal, compared with 9 per cent in the last," Crisil said in a note.

The total NPA provisioning of banks stood at Rs 2.2 trillion as of FY17, up from Rs 2 trillion in FY16.

Parrying a question on whether RBI has been very stringent or overcautious on with these accounts, she said "the regulator has done what it felt was right. Now whether it is overcautious or whether it is in order, we will come to know with time."

"The only thing is that they have given us three-quarters to do it which I think is adequate. Also, provisioning doesn't mean write-offs. It merely means that you keep the provisions if things are better, and then we can write it back," the chairman of SBI which is the lead banker to six of these 12 accounts said.

But she was quick to point out that the problem with higher provisioning is that "if a buyer comes to take over that account will immediately take that as the lowest level of write-off or haircut. So, to that extent, we may have realised better value if we haven't exactly quantified the amount of provisioning that we made."

Bhattacharya said the remaining six accounts from the RBI list will be taken up within the stipulated time of 15 days itself or even earlier.

"All the preparation that was required to be done most of them is already done. To that extent, we are doing things as per the book. And we expect that this will enable quick resolution," Bhattacharya said.

The largest 12 accounts named by RBI are Bhushan Steel (Rs 44,478 cr), Lanco Infra

(Rs 44,365 cr), Essar Steel (Rs 37,284 cr), Bhushan Power (Rs 37,248 cr), Alok Industries (Rs 22,075 cr), Amtek Auto (Rs 14,075 cr), Monnet Ispat (Rs 12,115 cr) Electro steel Steels (Rs 10,274 cr), Era Infra (Rs 10,065 cr) Jypae Infratech (Rs 9,635 cr), ABG Shipyard (Rs 6,953 cr), and Jyoti Structures (Rs 5,165 cr).

Of these six accounts have already been sent to NCLT by banks — Bhushan Steel, Essar Steel and Electro steel Steels by SBI; Bhushan Power by PNB; Lanco Infratech by IDBI; and Amtek Auto by Corporation Bank- for possible liquidation.

Economic Times

### **3. Growing number of private and PSBs introducing humanoid robots to answer basic customer queries**

**BY NILESH CHRISTOPHER**

If you walk into the head office of Canara in Bengaluru, the first thing you are likely to encounter is a 4.5-foot tall Kannada-speaking robot called Mitra. The robot, with a HD camera in its head and the Canara Bank logo on its chest, answers close to 500 frequently asked questions ranging from 'lift elidhe?' (Where is the lift?) to 'student loan yeshtu aguthe?'

(How much is the student loan?) while zipping around at 15 km/hr. "The robot can listen to customer queries and offers guidance depending upon the question," said KN Ramamurthy, GM of Canara Bank. The guidance is welcome since the Canara Bank head office has 15 departments and customers are usually clueless about which counter to approach when they walk in for the first time.

"Mitra goes around the office answering customer queries and guides them to the correct counter," said Balaji Vishwanath, chief executive of Invento, the 10-month-old start-up that created the robot.

Canara Bank isn't the only one experimenting with robots as customer assistants. A growing number of public and private sector players such as HDFC and City Union Bank are introducing humanoid robots to provide basic information such as a bank's history, account details, lending rates, updating passbooks, etc. The robots typically cost Rs 3-5 lakh.

Take the case of City Union Bank, which launched the country's first banking robot 'Lakshmi' in Chennai in November 2016. The two-foot tall Lakshmi offers details about accounts, interest rates, loans, etc. Lakshmi is programmed to interact in English and carries out an average of 30-40 customer interactions a day. "We have a beta version of the Lakshmi robot in Tamil, which will be deployed by end of July. It can answer about 150 questions," said N Kamakodi, MD of City Union Bank.

## **Business Line**

### **4. Dena Bank plans to raise Rs 1,800 cr via QIP**

PTI

Public sector lender Dena Bank plans to raise up to Rs. 1,800 crore through a qualified institutional placement.

At its annual general meeting held today, shareholders voted on the proposal of creating, offering, issuing and allotting equity shares up to Rs. 1,800 crore in a QIP, the bank said in a regulatory filing.

"The Issue Committee of the Board will consider various aspects to decide the time, number of shares to be issued, number of tranches," it added.

Dena Bank said it may raise the capital within a period of one year upon getting shareholders' approval.

Stock of the bank today closed 0.90 per cent up at Rs. 33.60 on BSE.

## **5. Banks may have to take 60% haircut on 50 top NPAs: Crisil**

### OUR BUREAU

Credit rating agency Crisil has estimated that banks would need to take a 60 per cent haircut on the 50 top non-performing assets, based on their embedded value.

Haircut refers to a lender settling for less as repayment from the borrower than the original amount.

Krishnan Sitaraman, Senior Director, said, "That would mean banks will have to increase provisioning by another (about) 25 per cent this fiscal, compared with 9 per cent in the last."

But the impact of that could be mitigated if banks are allowed to amortise the provisioning across six-eight quarters, he added. Referring to the 12 large NPAs in the banking system that were identified by the RBI for resolution under the Insolvency and Bankruptcy Code, 2016 (IBC), the agency said time-bound resolution of these cases will indeed be a big positive for bank balance sheets.

Crisil said the internal advisory committee (IAC), set up by the RBI, has reviewed the top 500 exposures that are partly or wholly classified as NPAs, and given its recommendations.

"The IAC also recommended that for the other corporate NPAs, banks should finalise a resolution plan within six months and where a viable resolution plan is not agreed upon within that period, banks should initiate insolvency proceedings under the Code.

"With this step, the RBI has addressed the reluctance of banks to further mark down the asset values of these NPAs by having an oversight committee to provide guidance," the agency said.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**