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Dear Comrades, **9th May , 2017**

News of Interest 9th MAY

MOTIVATIONAL QUOTES

"UNLESS WE REMEMBER WE CANNOT UNDERSTAND. " E. M. FORSTER

HIGHLIGHTS

1. GOVT ASSESSING RECAPITALISATION NEEDS OF PSU BANKS

2. IT UNIONS TO PROTEST SACKING IN COGNIZANT

3. CANARA BANK POSTS RS 214-CR Q4 PROFIT ON LOWER BAD LOAN PROVISIONS

4. SBI MAKES HOME LOANS CHEAPER, CUTS RATE BY UP TO 25 BPS; BUT ANALYSTS DON'T SEE A RUSH BY BUYERS ANYTIME SOON

5. UNION BANK NET RISES 12.5% IN FOURTH QUARTER

6. WAGE TALKS: 'CONDITIONAL MANDATE' TO IBA IRKS STATE BANK OFFICERS

Business Standard

1. Govt assessing recapitalisation needs of PSU banks

Govt allocated Rs 10k cr for current financial yr as against Rs 25k cr in last two financial yrs

Dilasha Seth

The government is re-assessing recapitalisation requirement of the state-owned banks reeling under stressed assets worth Rs 6 lakh crore with tougher norms, a key official said on Monday.

The government has signed tri-partite memoranda of understanding (MoUs) with state-owned banks along with the trade unions for the first time in decades with stricter qualifying norms for banks to receive new recapitalisation funds.

The government has allocated Rs 10,000 crore for the current financial year to recapitalise banks as against Rs 25,000 crore allocated in last two financial years. The agreement includes austerity measures as well as lowering of non-performing assets. Besides, the banks have to tell their projections of profits and plans for non-core asset sale.

According to its seven-pronged strategy, the government is to provide Rs 70,000 crore to PSU banks over the period of four years. The financial year 2017-18 is the third year in this series.

The official also said the Reserve Bank of India (RBI) will soon start identifying cases for recovering non-performing assets of public sector banks and will intervene as well as enforce decisions in the cases that have gone through the resolution process but not worked out.

Following promulgation of an ordinance to amend the Banking Regulations Act, the RBI has been empowered to direct banks to initiate bankruptcy proceedings of defaulting companies, and to take decisions on behalf of lenders while dealing with stressed assets.

"We realised that despite a decision by the Joint Lenders Forum, banks were taking time to get back with board approvals or coming back with additional conditions that were not part of of the agreement. Now the RBI will look at those cases and decide whether to take it to insolvency and bankruptcy code or NCLT (National Company Law Tribunal)," said the official.

The timeline and process of insolvency of companies with stressed assets will be as per the Insolvency and Bankruptcy Code.

The second part will involve giving a new direction to banks if it is not being resolved. It will see whether the resolution is according to RBI's guidance or not and whether the process is being followed, the official said.

The RBI will identify cases in consultation with Indian Banks' Association for necessary action, he said.

IBA and the corporate debt restructuring cell already have information about the NPA cases that have not come to fruition. The central bank can seek such cases and pass direction to banks on specific ones, the official said, adding that the ordinance is expected to break logjam in accounts that have gone through the JLF process, but not been resolved.

Soon after the passage of the ordinance, the RBI last week made substantial changes in the norms for dealing with stressed loans and warned banks that they will be penalised for missing NPA resolution timeline.

The number of creditors by value for consent for NPA resolution has been brought down to 60 per cent from the earlier 75 per cent.

At any point, the RBI can issue more guidelines to make the process more effective, the official said, adding that haircut is a commercial decision and will be taken by banks.

However, the official said the oversight committee (OC) will be vetting the entire process of resolution so that banks get comfort as far as any future scrutiny is concerned.

The RBI may set up more such committees depending on the requirement and could preclude any sector-specific OC, the official added.

The government will not get into individual cases as it has already given authorisation to the banking regulator RBI to resolve NPA cases.

2. IT unions to protest sacking in Cognizant

Cognizant trimmed 5% of its 260,000 workforce in March

Gireesh Babu

Two groupings — the Forum of IT Employees (FITE) and NDLF IT employees wing — are petitioning the Tamil Nadu government against what they call unjustified dismissals of employees at Cognizant.

The FITE has filed a petition at the Tamil Nadu labour department to protect the interests of software engineers who have been sacked on performance grounds, even as companies struggle with changing technology and business shifts.

Cognizant has denied that there have been any layoffs and said employees had been let off because they did not meet performance requirements.

"Cognizant has not conducted any layoffs. Each year, as is the best practice across our industry, we conduct a performance review to ensure we have the right employee skill sets necessary to meet client needs and achieve our business goals. This process results in changes, including some employees transitioning out of the company," said a company spokesperson on email.

"Any actions as a result of this process are performance-based and generally consistent with those we've made in previous years. In the March quarter, we hired thousands of professionals — top talent from campuses, as well as from the lateral market," the company said.

In March, Cognizant trimmed five per cent of its 260,000 workforce as it looked to shift its focus on emerging areas such as digital.

India's export-focused software firms are facing challenges of automation, and protectionism in their main markets — the US and Europe — and business shifts towards cloud and digital which require skills that are different from traditional services.

NDLF IT Employees Wing, affiliated to the New Democratic Labour Front (NDLF), is planning to expand the union to other states and file grievances with the labour department against the alleged sacking of employees. "We have hundreds of people from the company coming to us. We are in the process of forming a union in each state to strengthen the move," said Kumar S, working with the Wing.

NDLF IT employee's wing has a presence in Tamil Nadu and Puducherry. It has plans to expand to Karnataka, Maharashtra, and Telangana.

3. Canara Bank posts Rs 214-cr Q4 profit on lower bad loan provisions

Net NPAs at 6.33% showed a slight decline as against 6.42% a year ago, says Rakesh Sharma

Press Trust of India

Public sector lender Canara Bank on Monday posted a profit of Rs 214 crore for the March quarter of last fiscal as it managed to rein in non-performing assets.

In comparison, the bank had registered a loss of Rs 3,905 crore for the fourth quarter of the previous fiscal, 2015-16.

Asked for reasons for registering a loss of Rs 107.70 crore quarter-on-quarter, Canara Bank MD and CEO Rakesh Sharma said the main criterion for assessing the performance of any bank is to see the net interest income, which has increased by 14.08 per cent year-on-year to Rs 2,708 crore.

"If you see the net interest income, that is the main criteria for assessing the performance of any bank. The net interest income of our bank increased by 14.08 per cent year-on-year to Rs 2,708 crore," he said.

He said if one sees the operating profit of the bank from December, it has increased to Rs 2,973 crore from Rs 1,981 crore, the highest operating profit in any quarter.

"Nowadays, we have to see the operating profit. From December, the operating profit was Rs 1,981 crore and has now increased to Rs 2,973 crore ... This is the highest operating profit in any quarter," he said.

Even the net interest margin has increased from 2.19 per cent to 2.24 per cent, he added.

The bank's total income during the January-March quarter of 2016-17 rose to Rs 12,889 crore, as against Rs 12,116.14 crore in the same period a year ago, Sharma said.

Bank's gross bad loans or non-performing assets during the quarter under review rose marginally to 9.63 per cent as against 9.4 per cent in the same year-ago period, he said.

The gross NPAs, in terms of amount, were at Rs 34,202 crore, up from Rs 31,637.83 crore in the year-ago period, Sharma said.

Net NPAs at 6.33 per cent showed a slight decline as against 6.42 per cent a year ago, he added.

Capital adequacy ratio on March 31 stood at 12.86 per cent against 11.08 per cent a year ago, Sharma said.

For the entire financial year 2016-17, the bank posted a profit of Rs 1,122 crore as against a loss of 2,812.82 in the previous fiscal, Sharma said.

The Board of Directors at its meeting held today has recommended a 10 per cent dividend for the year 2016-17.

Financial express

4. SBI makes home loans cheaper, cuts rate by up to 25 bps; but analysts don’t see a rush by buyers anytime soon

Lowers by up to 25 basis points but analysts don’t see immediate rush of new home buys

By: Shritama Bose

Even as home buyers put off purchases in anticipation property prices could correct, State Bank of India (SBI) on Monday made home loans cheaper for new customers. Loans of up to Rs 30 lakh will cost women 8.35% and others 8.4%; that’s 25 basis points (bps) less than rates available a few months ago. Women borrowing more than Rs 30 lakh will need to pay an interest rate of 8.5% while others will cough up 8.55%.

Rival ICICI Bank charges salaried persons an interest rate of 8.7% for loans up to Rs 75 lakh while mortgage specialist HDFC charges between 8.5% and 9% for a loan of up to Rs 75 lakh. So far, Bank of Baroda's product is the most attractive at an interest rate of 8.35%.

With little demand for corporate loans, lenders are trying to make mortgages more affordable. A CLSA report says mortgage rates are at 12-year lows, having dropped 150 bps in the last two years; every cut of 100 bps is equal to a 5-6% price cut, CLSA notes. But this may not be enough to nudge buyers; loans for housing grew at a slower 15.2% year-on-year (y-o-y) in March compared with 18.8% growth in March 2016, data from the Reserve Bank of India (RBI) show.

Clearly, there's no rush. Stocks of unsold apartments are piled high and even before demonetisation, inventories were not small. At last count, there were 6.7 lakh unsold residential units across the country with 1.55 lakh in the Mumbai Metropolitan Region (MMR) alone. Registrations of property sales in MMR, which had fallen to a six-year low in November and December, remain low.

If 2016 ended with the lowest number of residential launches and sales, 2017 hasn't got off to a great start, say builders. Banks, however, are trying to prod potential customers to buy homes. SBI had revised rates in January, effecting a steep 90 bps cut to its one-year MCLR, and bringing it down to 8%. ICICI had cut its one-year MCLR by 70 bps to 8.2% and HDFC had lowered its benchmark rate by up to 45 bps.

The country's largest lender is also hoping to cash in on the push to affordable housing. "We have come out with a special offering of lower rates for the category," said Vaijinath MG, CGM (real estate and housing), SBI.

The general slowdown in home purchases is hurting developers. Gopal Sarda, group CEO, Kolte-Patil Developers, told FE, "The real estate market had seen some fluctuations in recent times. The implementation of demonetisation and the introduction of RERA (Real Estate Regulation Act) and GST (goods and services tax) only made home buyers delay their decision of home buying."

In March, the government had raised the annual income ceiling for families eligible under the credit-linked subsidy scheme (CLSS) to up to Rs 18 lakh. The move, however, is likely to benefit housing finance companies (HFCs) rather than banks, analysts say.

According to a report by Crisil, that the assets under management of pure-play affordable HFCs have risen nearly 50% in the past fiscal to Rs 23,000 crore as on March 31. "The high growth has also led to increase in market share of these new pure-play players in the overall affordable housing finance sector from ~10% as on March 31, 2016 to ~15% as on March 31, 2017," the report said. Crisil defines affordable housing loans as those with a ticket size less than `15 lakh.

Business Line

5. Union Bank net rises 12.5% in fourth quarter

OUR BUREAU

Robust growth in non-interest income and reversal in tax provisions helped Union Bank of India report a 12.5 per cent year-on-year increase in net profit in the reporting quarter ended March 31, 2017.

The public sector bank reported a net profit of ₹108 crore in the fourth quarter as against ₹96 crore in the year-ago quarter.

For the full year however, net profit was down 59 per cent to ₹555 crore (₹1,352 crore in FY16).

In Q4, net interest income (the difference between interest earned and interest expended) was up 14 per cent at ₹2,387 crore (₹2,085 crore in the year-ago period).

Non-interest income, comprising fees and commissions, foreign exchange and derivatives revenue, gain on revaluation/sale of investments, miscellaneous income jumped 45 per cent to ₹1,446 crore (₹996 crore).

Provision for non-performing assets (NPAs) was lower at ₹1,505 crore (₹2,008 crore). There was a reversal in provision for taxes (arising from recognition of deferred tax assets) to the tune of ₹418 crore.

As on March-end 2017, deposits were up 10 per cent y-o-y at ₹3,78,392 crore. The share of low-cost current account, savings account (CASA) deposits in overall deposits improved to 34.4 per cent from 32.3 per cent.

Advances rose 7 per cent to ₹2,86,467 crore mainly on the back of growth in loans to the retail, agriculture and micro, small and medium segments.

Asset quality pressure eases

Pressure on the asset quality front seems to be gradually easing with incremental NPA addition in the reporting quarter relatively lower at ₹2,951 crore (with 68 per cent of it coming from the medium and large sectors) as against ₹6,170 crore in the year-ago quarter.

Gross NPA as a percentage of gross advances increased to 11.17 per cent as on March-end 2017 as against 8.70 per cent as at March-end 2016. However, sequentially GNPA was lower from 11.70 per cent in the December 2016 quarter.

Union Bank of India shares closed at ₹188 apiece, up 0.56 per cent over the previous close on the BSE.

6. Wage talks: 'Conditional mandate' to IBA irks State Bank officers

VINSON KURIAN

A 'conditional mandate' given to Indian Banks' Association (IBA) for the ongoing 11th bipartite negotiations has irked the All India State Bank Officers' Federation (AISBOF).

"We are given to understand that the bank has given a conditional mandate authorizing the IBA to negotiate in respect of officers in Scale I to III only," Y Sudarshan, General-Secretary of the federation wrote to the Chairman of State Bank of India.

Revised mandate

"We request you to kindly send a revised mandate authorizing IBA to negotiate with us on behalf of all scales, which has been the practice hitherto, based on the Pillai Committee recommendations," Sudarshan said.

The bipartite negotiations began on May 2. The conditional mandate, he said, goes against the spirit of bilateralism that has been followed thus far at the industry level.

It would hurt the sentiments not only at the bank level but also at the industry level since the AISBOF has often set the agenda for the peers. It claims to represent the interests of nearly lakh officers.

Sudarshan recalled that the federation has been pursuing issues related to officers of all scales. It has supported all progressive initiatives of the bank, right from computerization and business process re-engineering to merger of associate banks.

He hoped that the conditional mandate would not be stretched to the levels of hurting the sentiments of all concerned, leading to potential industrial-relations issues.

Better deal sought

Such a decision does not augur well for strengthening officers' confidence in the bank and earning their trust. Dividing them on the basis of 'scales' tantamount to 'divide and rule' policy that is not in the interest of either party.

Sudarshan also flagged pending issues on which the management has failed to respond despite many reminders. This included a plea for a better deal for officers of associate banks that merged into SBI as also of existing officers of SBI.

The officers have helped with the successful implementation of demonetisation but till today they have not been compensated for late-sitting or for working on holidays.

Staff strength is steadily going down increasing the work pressure, which has disturbed the work-life balance. Many of the entitlements and perks revised once in three years have not been enhanced even after four/five years, he said.

The AISBOF leader said that members would be forced to go on an agitation if these issues are not sorted out soon.

With kind regards,

Yours Comradely,

(N. GOVINDRAJULU)
GENERAL SECRETARY