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**Dear Comrades,**

**17th May , 2017**

**News of Interest 17th MAY**

### **MOTIVATIONAL QUOTES**

**“DO NOT DWELL IN THE PAST, DO NOT DREAM OF THE FUTURE, CONCENTRATE THE MIND ON THE PRESENT MOMENT. “BUDDHA**

### **HIGHLIGHTS**

- 1. IT JOB CUTS: AFTER WIPRO, INFOSYS, NOW IBM LAYS OFF THOUSANDS IN INDIA**
- 2. IN A FIRST, RESERVE BANK OF INDIA TO HAVE CFO SOON**
- 3. PNB'S Q4 NET PROFIT RISES TO RS 262 CR ON HIGHER NET INTEREST INCOME**
- 4. JAMMU & KASHMIR BANK: HIGH STRESS ADDITION A CONCERN**
- 5. HOW 'OUTDATED' INDIAN ATMS SUCCESSFULLY BEAT BACK THE GLOBAL RANSOMWARE ATTACK**
- 6. DHANLAXMI BANK REPORTS ₹8.81-CR PROFIT IN Q4**

Business Standard

#### **1. IT job cuts: After Wipro, Infosys, now IBM lays off thousands in India**

Move comes even as IBM India is looking to achieve 100% capacity utilisation across projects

Ayan Pramanik

Global information technology (IT) services major IBM has let go of a few thousand employees from its Indian unit, which is believed to employ one of its every three workers globally.

IBM joins local peers such as Wipro, Infosys, Cognizant and Tech Mahindra in pruning staff as the IT sector faces technology shifts towards automation, and from manning legacy system to digital and cloud.

IBM India was looking at a target of "achieving 100 per cent utilisation" across all projects with a shift in business and increased demand for digital-technology based services, a person familiar with the development said.

For example, if a project currently has eight software engineers, roughly two of them are released and redeployed on other projects to achieve full utilisation across projects. "However, no one is kept idle on the bench now," an engineer at IBM said. "In some cases, people have to upgrade themselves with new technology skills to get redeployed. But, those who are not willing are at risk and often told to go."

Kris Lakshmikanth, chairman and managing director of recruiting agency The Head Hunters India, echoes the engineer at the company: "If you are on the Bench at IBM, you are in trouble. While net addition has come down, the company is trimming its workforce gradually."

IBM does not disclose how many of its 380,000 employees are for its India unit.

An IBM spokesperson said "this is factually incorrect. We are not going to comment further on rumours and speculation."

Industry body Nasscom has maintained that workforce realignment in IT services linked to performance appraisal processes is a regular feature every year.

"Skilling and workforce realignment are essential to remain competitive in international markets. It needs to be appreciated that such workforce realignment is a normal part of the internal process of companies based on their own operational imperatives; companies evaluate their priorities and business imperatives and continuously align talent to serve their needs and enhance competitiveness. It is reiterated that no significant changes have been reported or observed this year," Nasscom said in a statement on May 12.

## **2. In a first, Reserve Bank of India to have CFO soon**

The gross monthly emoluments for the post will be about Rs 2,40,660

Abhijit Lele

The Reserve Bank of India (RBI) will soon have a chief financial officer (CFO) to oversee financial reporting and accounts, besides shaping policies.

Spelling out job responsibilities for the CFO, who will be of the rank of executive director, the RBI said he or she would be responsible for "accurate and timely presentation and reporting of financial information".

The head of finance should essentially be a qualified chartered accountant with at least 15 years of experience of overseeing financial operations of banks or financial firms, the central bank said in a notification seeking applications for the position.

Till now, the central bank does not have a dedicated official handling the finance function, and the tasks are being carried out internally.

The CFO's responsibilities will also include establishing accounting policies and procedures, and ensuring compliance with financial regulations and standards.

The CFO would communicate both the expected and actual financial performance of the bank. His work will also involve overseeing the Budget process, collecting inputs and comparing actual performance vis-à-vis the Budget Estimates.

Raghuram Rajan, during his tenure as RBI governor, had toyed with the idea of having a chief operating officer of the rank of deputy governor. Rajan wanted Nachiket Mor, presently director on the central board of the RBI, to be in that position, said two senior bankers.

The RBI expects the CFO to flag risks to the finances and develop strategies to counter and mitigate the same. He would have oversight of three departments, including department of government and bank accounts, corporate strategy and budget department, department of corporate services.

About the compensation package for the CFO, the RBI said that for regular appointment (on permanent basis), the selected person will draw a starting basic pay of Rs 1,20,500 a month and will also be eligible for dearness allowance, house allowance, special allowance and local compensatory allowance.

The gross monthly emoluments for the post will be about Rs 2,40,660. The person will get the perquisites as available to the post of executive director and will be eligible for superannuation benefits. For the person coming on contract, appointment would be on cost-to-company (CTC) basis.

The cost per month works out as Rs 2 lakh a month with housing. Without RBI's housing, the CTC will about Rs 4 lakh a month. Those on contract would not be eligible for allowance and perks.

### **3. PNB's Q4 net profit rises to Rs 262 cr on higher net interest income**

Bank registered a net loss of Rs 3,974.3 cr in the same quarter in FY16

Abhijit Lele

Public sector lender Punjab National Bank(PNB) posted a net profit of Rs 261.9 crore in the fourth quarter tha ended on March this year, as against a net loss of Rs 5,367.1 crore in the same quarter in the previous financial year.

Profits accrued due to a sharp rise in the company's net interest income and a simultaneous fall in its provisions.

Its stock was trading 5 per cent up at Rs 175 per share on Bombay Stock Exchange.

In FY17, PNB posted a net profit of Rs 1,324.8 crore as against a net loss of Rs 3,974.3 crore in the previous year.

For the reporting quarter its net interest income rose by 33 per cent to Rs 3,683 crore from Rs 2,768 crore in the January-March period in 2016.

Provisions for non-performing asset (NPAs) were down sharply at Rs 4,910.3 crore in Q4 from Rs 10,773 crore in the corresponding quarter in FY16. The provision coverage ratio was 58.57 per cent at end of March.

Gross NPAs were down at Rs 55,370 crore from Rs 55,813 crore in the same quarter in the year-ago period.

The capital adequacy ratio stood at 11.66 per cent with tier I of 7.87 per cent.

Financial Express

### **4. Jammu & Kashmir Bank: High stress addition a concern**

JKBK reported net loss of Rs 5.5b in Q4FY17 owing to elevated credit costs (~5% annualised)

By: MOSL

JKBK reported net loss of Rs 5.5b in Q4FY17 owing to elevated credit costs (~5% annualised). High provisioning was on account of high net stress addition (~2.8% net slippage ratio) and a strong focus of management to clean up balance sheet calculated PCR rose to ~59.6% v/s 52.8% in Q3. Strong recoveries and upgrades at Rs 3.6b Q4 is seasonally strong helped partly offset high stress additions Rs 6.5b v/s Rs 1.9b in Q3. Focus on increasing PCR led to a 10% sequential decline in NNPA's 4.9% of loans v/s 6% in Q3. Stock of restructured loans stood at Rs 63.8b, 11% of loans, of which Rs 44b pertained to J&K state. The bank implemented Rs 3.1b in S4A and Rs 1.1b in SDR during the quarter. NII grew 12% q-o-q (+1% y-o-y), led by strong sequential loan growth (+10% q-o-q) and a sharp improvement in NIM to 3.5%.

Despite net income growth of 11% q-o-q, high opex (+23% q-o-q) led to a 6% q-o-q fall in PPOP (-27% y-o-y). Operating costs were impacted by one-offs due to depreciation adjustment on revalued assets of ~Rs 150m, Rs 250m digitalisation expenses and Rs 250m principal settlement related. Loan growth was flat y-o-y but grew 10% q-o-q; share of J&K state loans stood at ~50% v/s 48.6% in FY16. CASA ratio stood at 51.7% +760b y-o-y – highest ever; SA deposits grew 19% y-o-y. The bank is on track to close a capital raise of Rs 2.82b second tranche by 25 May – we expect capital augmentation efforts to continue 8.7% Tier 1.

While we like management's focus to clean up balance sheet, continued high stress additions and high proportion of restructured book remain a cause for concern. Recoveries/resolutions in non-J&K state corporate portfolio (19% NPA) will be a significant trigger for the bank. We cut estimates sharply to factor in high provisioning focus on increasing PCR.

Guidance on Credit cost: sub 2% levels. The management targets to take PCR to 70% by FY18 and 90% in 2-3 years. Incremental provisioning will be significantly lower than FY17 levels as large part of balance sheet clean-up is complete. Of the total Rs 63.8b restructured accounts, Rs 44b pertains to J&K state, Rs 4b provisions on these. Window for restructuring was closed on February 28. The bank does not see any issues in these accounts – assets are intact, there has only been disruption in the cash flows due to civil unrest.

Economic Times

## **5. How 'outdated' Indian ATMs successfully beat back the global ransom ware attack**

**BY PRATIK BHAKTA, ET BUREAU**

Indian banks and ATMs supposedly running on systems less sophisticated than what is used by their global peers remained unaffected by the ransom ware WannaCry, which has shuttered or slowed many operations across the world.

None of the major banks, or the Reserve Bank of India, reported anything amiss in the Indian financial system. There was speculation that one or two small banks in South India may have been affected and that the magnitude of the damage may not be much, said two people familiar with the matter.

"We are closely monitoring the situation and have instructed the local IT teams of our bank to keep a watch on the systems in branches," said a banker with the nation's biggest lender, State Bank of India BSE -0.20%. "In some cases, the malware comes from external devices interacting with the banking networks. We are keeping that under check too."

The Indian financial system's claim that it has been largely unaffected by a cyber attack that has hit thousands of establishments across the globe has raised eyebrows. Indian banks are notorious for under-reporting cyber crimes and this has

even attracted the regulator's criticism.

"Another area of concern is the patch management. OEMs (original equipment manufacturers) release patches after known vulnerabilities are escalated to them and if the patches are not rolled out in time, we are practically leaving the door open for exploitation," said Reserve Bank of India deputy governor SS Mundra during a speech in September last year on 'Information Technology and Cyber Risk in Banking Sector'.

Banks in general have issued internal advisories listing out the dos and don'ts for employees and asking them to keep away from suspicious links.

"The biggest requirement for financial institutions at such moments is isolation of the affected device from the mainframe, thereby preventing such viruses from spreading across the network," said the person quoted above.

Indian ATMs, which still majorly use the outdated Windows XP operating system, were feared to be the most vulnerable to hacking. ATM manufacturers ET spoke to said that nothing untoward was reported on the ATM network.

"ATMs usually do not save any financial transaction data. Hence, I do not think that machines will be particularly vulnerable to such malware attacks, which encrypt files," said the chief executive of an ATM manufacturing company.

Also, the slower speeds at which systems operate could also be helpful in preventing the spread of the malware, which is usually a big file.

"ATMs anyway run on closed loop systems and usually the machines deployed in far-flung areas run on very slow speeds. Therefore, such malwares, usually a few megabytes in size, take time to install themselves on the remote devices," said the banker quoted above.

## **6. Dhanlaxmi Bank reports ₹8.81-cr profit in Q4**

### OUR BUREAU

Expenditure reduction, increase in non-interest income, quality lending and reining in of NPAs (non-performing assets) have enabled Kerala-based Dhanlaxmi Bank to register a net profit of ₹8.81 crore in the fourth quarter of 2016-17 (FY17) after reporting a loss ₹131.60 crore in the corresponding period last year.

For the year 2016-17, the bank registered a net profit of ₹12.38 crore against a loss of ₹209.45 crore in FY16.

A statement issued by the bank said that the net interest income in FY17 rose 9 per cent to ₹331.6 crore from ₹304.68 crore in FY16.

The cost of funds fell to 6.61 per cent in FY17 (7.5 per cent in FY16) and the cost-income ratio stood at 78.75 per cent compared with 99.14 per cent in FY16. Non-interest income rose 45 per cent to ₹110 crore in FY17 from ₹76.72 crore in FY16 .

CASA (current, savings account) deposits to total deposits stood at 29 per cent in FY17 against 25 per cent in FY16.

Gross NPA (non-performing assets) fell to ₹315.60 crore in FY17 from ₹458.92 crore in FY16, and net NPA to ₹166.48 crore from 193.19 crore.

The bank has infused fresh equity capital of ₹120 crore through preferential allotment of equity shares to 11 investors, which would take care of the bank's business growth in the coming financial years.

The thrust areas for current year (2017-18) are CASA deposits, retail loans, NPA recovery and non-interest income to ensure sustained and improved profitability, the release added.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**