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Dear Comrades,

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News of Interest 19th MAY

MOTIVATIONAL QUOTES

“STAY POSITIVE AND HAPPY. WORK HARD AND DON'T GIVE UP HOPE. BE OPEN TO CRITICISM AND KEEP LEARNING. SURROUND YOURSELF WITH HAPPY, WARM AND GENUINE PEOPLE.” TENA DESAE

HIGHLIGHTS

- 1. BANKERS TO TAKE OVER JAYPEE'S LAND BANK TO RECOVER LOANS**
- 2. BANK OF BARODA SWINGS BACK TO PROFIT IN Q4 AT RS 155 CR**
- 3. IDBI BANK Q4 NET LOSS WIDENS IN MARCH QUARTER AS BAD LOANS SURGE**
- 4. RBI EASES NORMS TO SET UP BANK BRANCHES**
- 5. RBI MAY IMPOSE CURBS ON BRANCH EXPANSION BY UBI**
- 6. KARUR VYSYA BANK Q4 NET UP 58% AT RS 217 CR**

Business Standard

1. Bankers to take over Jaypee's land bank to recover loans

The land bank will be liquidated at a later date, the lenders decided at a meeting on Thursday

[Abhijit Lele](#) & [Dev Chatterjee](#)

Lenders to Jaiprakash Associates have decided to take control of the company's vast land bank to recover their loans worth Rs 13,000 crore. The land bank will, however, be liquidated at a later date, the lenders decided at a meeting in Mumbai on Thursday.

Jaypee Group's three listed companies, which reported Rs 40,157 crore of debt as of September last year, were defaulting on bank loans, leading to asset sales in the last three years. In a joint lenders' forum meeting held on Thursday, the banks took into account the company's financial metrics, on the basis of which the Jaypee

management reported that they expected Rs 10,000 crore of debt to move to UltraTech Cement, which has taken over its cement plants in central and western India.

Of the Rs 6,000-crore "sustainable" debt to be retained on the JP Associates books, the operating assets, including a power plant, will be used to service debt. Another Rs 13,000 crore debt will move to a special purpose vehicle (SPV) that will house the land bank in Uttar Pradesh - Noida. "While the SPV would be technically owned by JP Associates for tax purposes, the lenders will control it. The banks would work out a plan to liquidate the land bank and how to use it to recover their loans," said a source. Three leading banks — ICICI Bank, State Bank of India, and Axis Bank — are driving the debt recast package, which will now be circulated among all lenders to the company for final approval in 15 days. The stock of JP Associates reacted positively to the JLF meeting as its shares closed five per cent up at Rs 13 a share.

Jaypee Chairman Manoj Gaur did not comment on the JLF package. Jaypee Group is on an asset sale spree and has managed to bring down its debt from Rs 60,000 crore to manageable levels in recent years.

In October last year, the CK Birla group firm, Orient Cement, acquired a 74 per cent stake in Bhilai Jaypee Cement and Nigrie cement grinding unit in Madhya Pradesh from Jaypee Group companies at an enterprise valuation of Rs 1,950 crore.

The sale of assets by Jaypee Group was necessitated as in its 2015-16 results statement, Jaiprakash Associates had revealed that it had defaulted on bank loans, interest and statutory payments of Rs 4,539 crore.

In February 2016, Jaypee sold its cement unit with a capacity of 17.2 mtpa to Aditya Birla group's UltraTech at an enterprise value of Rs 16,000 crore. Earlier, in November 2014, Jaiprakash Power had sold its hydropower projects to JSW Energy for Rs 9,300 crore.

Analysts said the group fell into financial trouble as it tried to grow too fast with diversification into real estate and infrastructure sector without worrying about any slowdown. Two of its marquee projects - Delhi-Agra Expressway and Formula 1 stadium - turned out to be white elephants with zero visibility of earnings. To make matters worse, Axis Bank took over the group's headquarters in Delhi as the group failed to repay loans.

2. Bank of Baroda swings back to profit in Q4 at Rs 155 cr

Profit comes on the back of fall in share of gross bad loans

Reuters

Indian state-run Bank of Baroda on Thursday reported a fourth-quarter net profit of Rs 155 crore (\$23.89 million).

The Mumbai-based bank, the fifth-biggest in the country by assets, had reported a net loss of Rs 3,230 crore in the year-ago quarter.

Analysts, on average, had expected the bank to report a net profit of Rs 516 crore in the three months to March 31, according to Thomson Reuter's data.

Gross bad loans as a percentage of total loans declined to 10.46 per cent at end-March from 11.40 per cent in December. Gross bad loans on an absolute basis was although higher at Rs 42,719 crore compared with Rs 42,642 crore in December.

Ahead of the results, shares in Bank of Baroda closed 2.24 per cent lower in a broader Mumbai market per cent that fell about 1 per cent.

3. IDBI Bank Q4 net loss widens in March quarter as bad loans surge

NPA provisions balloon to Rs 5,333 cr in Q4

Abhijit Lele

Weighed down by heavy provisions for bad loans, ailing IDBI Bank's net loss grew to Rs 3,199 crore in the March quarter. Its loss in the same quarter of 2016 was Rs 1,735 crore.

Operating profit in the quarter declined to Rs 1,389 crore, from Rs 1,595 crore a year before.

Its share price closed 7.7 per cent down at Rs 70 on the BSE exchange. The loss for 2016-17 stood at Rs 5,158 crore, up from Rs 3,664 crore in 2015-16.

The Reserve Bank of India (RBI) has already put IDBI under a prompt corrective action (PCA) regime, due to the high level of net non-performing assets (NPAs) and negative return on assets. This would mean taking mandatory corrective action, such as raising of capital levels, restricting dividends and branch expansion. In an extreme scenario, the bank might have to put restrictions on management compensation.

The bank's common equity tier-I ratio, including capital conservation buffer (CCB) ratio, was at 5.64 per cent, substantially lower than the regulatory minimum of eight per cent. This has raised doubts in the minds of some analysts whether the bank will be allowed to dip into its reserves to pay the coupon towards its Rs 2,000 crore of additional tier-I bonds.

In a similar situation in February this year, the RBI had sort of bailed out Central Bank of India, United Bank of India and Indian Overseas Bank by allowing these banks to dip into their statutory reserves to pay coupons. These banks had wiped out their other reserves by incurring losses, but their tier-I ratios were healthier than IDBI Bank.

The additional tier-I bonds have a loss absorption clause that enables banks to forego coupon payment if under stress. The RBI has set the floor on tier-1 ratio at 5.5 per cent till March 2019 to honour these bonds. IDBI Bank's tier-I ratio, including CCB ratio (minimum required 2.2 per cent), at 5.64 per cent would mean the bank might have fallen below the regulatory level, say analysts.

Net interest income for the quarter rose 14 per cent to Rs 1,633 crore from a year before.

Provision for NPAs grew multi-fold to Rs 5,333 crore, from Rs 185 crore in the March quarter of 2015-16. The provision coverage ratio was 54.96 per cent at end-March. Gross NPAs jumped to Rs 44,752 crore in end-March (21.25 per cent), up from Rs 24,875 crore (11 per cent) a year before.

Consecutively, too, gross NPAs were up from Rs 35,245 crore (15.16 per cent) at end-December 2016. The net NPAs were up at Rs 25,205 crore (13.2 per cent) in March, from Rs 14,643 crore (6.8 per cent) in March 2016.

The capital adequacy ratio was 10.7 per cent, with tier-I capital at 5.64 per cent. Its CCB was 0.14 per cent, against the regulatory minimum of 1.25 per cent.

Financial Express

4. RBI eases norms to set up bank branches

The Reserve Bank of India (RBI) on Thursday eased the norms of setting up bank branches and said branches manned by either bank's staff or its business

correspondents where services are provided for a minimum of four hours per day for at least five days a week will be called a banking outlet. "A banking [...]"

By: FE Bureau

The Reserve Bank of India (RBI) on Thursday eased the norms of setting up bank branches and said branches manned by either bank's staff or its business correspondents where services are provided for a minimum of four hours per day for at least five days a week will be called a banking outlet. "A banking outlet which does not provide delivery of service for a minimum of four hours per day and for at least five days a week will be considered a part-time banking outlet," it said. The central bank said a banking outlet or a part-time banking outlet opened in any tier-III–tier-VI centre of North-Eastern States and Sikkim as well as in any tier-III–tier-VI centre of Left wing extremism (LWE)-affected districts will be considered as equivalent to opening it in an unbanked rural centre (URC).

It defined URC as a rural (tier-V and VI) centre that does not have a CBS-enabled banking outlet of a scheduled commercial bank, a small finance bank, a payments bank or a regional rural bank nor a branch of local area bank or a licensed co-operative bank. However, RBI clarified that ATMs, e-lobbies, bunch note acceptor machines (BNAM), cash deposit machines (CDM), e-kiosks and mobile branches will not be treated as banking outlets.

"The time given to a bank for opening an outlet in a URC is one year. If a bank fails to adhere to the requirement of opening 25% banking outlets in a year, appropriate penal measures, including restrictions on opening of tier-I branches, may be imposed," it said. To encourage banks to front load more number of banking outlets in unbanked rural centres, the RBI said lenders will be allowed to carry forward the benefit of the banking outlets opened in excess of the requirement for a period of next two years.

'Lenders should have CFOs, CTOs'

With "rapid" changes in banking sector, the RBI on Thursday urged banks to appoint qualified persons to head critical finance and technology functions. The central bank also came out with minimum qualifications for chief financial officers (CFOs) and chief technology officers (CTOs).

"Rapid innovations in banking and technology call for better risk governance in the areas of finance and technology. A CFO and CTO in banks' management structure would play a crucial role in strengthening and sustaining the banks' risk governance framework," the RBI said in a notification. The RBI said a CTO should be an engineering graduate, or hold an MCA or equivalent qualification with 15 years' experience in banking IT projects, while a CFO should be a chartered accountant and have an experience of 15 years.

Economic Times

5. RBI may impose curbs on branch expansion by UBI

BY ATMADIP RAY, ET BUREAU

The Reserve Bank of India may put restriction on United Bank of India's branch expansion and direct it to make higher provisions to cover risks due to its rising stressed loans, a senior banking analyst said.

Continuous rise in its sticky loans makes the state-run lender a second category offender for risk threshold breach under prompt corrective action (PCA) measures under the new guidelines issued last month, said the analyst who requested not to be identified.

In case the central bank initiates the action, it would be the second time in four years that United Bank of India (UBI) came under regulatory sanctions and be forced to take corrective measures.

In 2013, RBI had restricted the bank from lending freely after the then chairperson Archana Bhargava flagged off accounting malpractices.

UBI would also be barred from distributing profit among shareholders as a mandatory measure, despite reporting Rs 74 crore net profit for the fourth quarter against Rs 413 crore loss in the year ago period.

UBI managing director Pawan Kumar Bajaj was not available for comments as he flew to New Delhi immediately after the board approved the financial parameters to attend a finance ministry meeting to discuss the bank's turnaround plan.

Business Line

6. Karur Vysya Bank Q4 net up 58% at Rs 217 cr

OUR BUREAU

Karur Vysya Bank's net profit during the last quarter of FY 2017 increased 57.65 per cent to Rs 217.56 cr against Rs 138 crore during the corresponding quarter of the earlier fiscal.

The bank's net interest income rose 22.71 per cent to Rs 579.99 cr (Rs.472.65 crore) and other incomes by 39.64 per cent to Rs 232.99 crore (Rs 166.13 crore) .

Net Interest Margin (NIM) was up 4.05 per cent from 3.43 per cent.

The gross and net NPA, however, registered an increase to 3.58 per cent (2.66 per cent) and 2.53 per cent (1.68 per cent) respectively.

The net profit for the 12-month period ending March 2017 was up 6.76 per cent to Rs 605.98 crore (Rs 567.63 crore)

Total income of the bank stood at Rs 6,404.57 crore for the period ended March 2017 as against Rs 6,150.22 crore during the previous year, registering a growth of 4.14 per cent

The net interest income (NII) grew by 16.41 per cent from Rs 1,781.40 crore to Rs 2,073.70 crore and the NIM improved to 3.70 per cent from 3.43 per cent.

Aggregate business stood at Rs 95,135 crore up from Rs 89,555 crore a year ago. Deposits grew to Rs 53,700 crore from Rs 50,079 crore, while gross advances increased to Rs 41,435 crore from Rs 39,476 crore

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**