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**Dear Comrades,**

**30th May , 2017**

**News of Interest 30th MAY**

### **MOTIVATIONAL QUOTES**

**“THE LIFE OF THE DEAD IS PLACED IN THE MEMORY OF THE LIVING. MARCUS “  
TULLIUS CICERO**

### **HIGHLIGHTS**

- 1. IDBI BANK MULLS ACTION UNDER BANKRUPTCY CODE IN 10 CASES**
- 2. RBI PANEL TO KEEP REPO RATE UNCHANGED IN JUNE, SAY BANKERS**
- 3. KVB TO RAISE RS 760 CR VIA RIGHTS ISSUE, PRICE FIXED AT RS 76 A SHARE**
- 4. ICICI BANK CEO CHANDA KOCHHAR DRAWS RS 6.09 CR REMUNERATION IN FY17**
- 5. CITY UNION BANK'S Q4 AND FULL YEAR NET PROFITS RISE**
- 6. AIBOC TO OPPOSE 'PRIVATE SECTOR CANDIDATE' FOR RBI DY GOVERNOR**

Business Standard

#### **1. IDBI Bank mulls action under bankruptcy code in 10 cases**

Bank will use NCLT platform for medium sized enterprises where it has the maximum exposure

[Abhijit Lele](#) |

IDBI Bank is planning to drag over 10 corporate loan defaulters to the National Company Law Tribunal (NCLT) for recovery.

The Mumbai-based public sector bank has received orders from the NCLT's Ahmedabad Bench for appointment of interim resolution professionals in two cases relating to Bhatia Global Trading and Asian Natural Resources. The orders empower the bank to start the insolvency resolution process.

An IDBI Bank executive said the Bankruptcy and Insolvency Code, which came into effect last year, was a useful tool for action to get money back.

The bank will use the NCLT platform for medium-sized enterprises where it has the maximum exposure. The exposure in each of the accounts where action is contemplated is over Rs 100 crore.

The IDBI Bank stock has taken a beating after it reported a net loss for the second year in a row. The stock is down 16 per cent from May 18, a day before the bank announced its results

In the year ended March 31, 2017, IDBI Bank posted a net loss of Rs 5,158 crore against a net loss of Rs 3,665 crore in 2015-16. The bank has created a section to coordinate loan recovery from big accounts. It aims to recover and upgrade over Rs 5,000 crore in the current financial year.

M K Jain, IDBI Bank's managing director and chief executive, had said last week recovery efforts were scattered across corporate, SME and retail functions.

Now one vertical will make focused efforts.

IDBI Bank saw a sharp rise in slippages during 2016-17 to Rs 27,575 crore from Rs 19,087 crore in 2015-16. Recoveries plus upgrades stood at Rs 4,849 crore in 2016-17.

The bank has identified three categories of stressed loans for recovery: Where it is a consortium leader, where it is the sole lender or is in multiple banking relationships covering small and medium size loans, and where it is a member of a consortium.

## **2. RBI panel to keep repo rate unchanged in June, say bankers**

Outlook likely to be less hawkish; monsoon & GST roll-out to decide course of action

Abhijit Lele

The Reserve Bank of India's monetary policy committee (MPC) is expected to keep the repo rate — at which it lends to banks — unchanged when it meets early June to take stock of macroeconomic factors and behaviour of prices since April.

Many risks that were flagged then, including oil prices and inflation, have not turned adverse. But, the MPC might prefer to stick to its earlier policy stance. The focus would then be on the outlook of the committee, bankers said.

A senior State Bank of India executive said no rate cut action was expected in the June review, while the outlook might be less hawkish. How rains would spread over the country and the initial feedback over roll-out of the goods and service tax would weigh on the panel members' minds.

Rating agency ICRA said the repo rate was likely to remain unchanged in the review and the policy tone would be less hawkish. Naresh Takkar, managing director and group chief executive officer of ICRA, accounted this to "the improved outlook for the monsoon, the GST rate structure and easing of commodity prices", which had abated the inflation risks highlighted by the MPC in April.

"The MPC may choose to observe the actual progress of the monsoon and the adjustment during the transition to the GST, prior to reducing the policy rate or reversing the stance back to accommodative from neutral. Therefore, we expect the MPC to opt for a pause in the June 2017 policy review," said Takkar. He also listed the Consumer Price Index-based inflation not falling below 4 per cent (the medium-term target) for six consecutive months and visible improvement in volume growth in a number of sectors after re-monetisation as factors for not cutting the repo rate.

While the improved monsoon prospects have subdued concerns about food inflation, the dip in reservoir levels and the extent of revision in minimum support prices were modest inflation risks. Food inflation was expected to be relatively benign in H1

FY2018 but a reversal of base effects could result in food inflation rising sharply to 4-5 per cent during H2 FY2017, it said.

At the April policy review, the central bank's decision-making panel voted unanimously to keep rates unchanged. However, one member had before the vote made a case for an increase. Giving primacy to tackling inflation concerns, M Patra, executive director at the central bank and a member of the MPC, wanted a pre-emptive increase of 25 basis points (bps) in the rate.

In the February review, the decision was to change the policy stance from "accommodative" to "neutral". The panel met again on April 5 and 6. It decided to continue with a neutral stance. It had cut the repo rate by 175 bps from January 2015.

Expecting a rate cut in the June review, one public sector bank official said a 25-bps cut in the repo would give a positive signal. Taking a cue from such a change, commercial banks would reduce their marginal cost-based lending rates. Else, banks would prefer to stay with existing MCLR rates.

The Confederation of Indian Industry had on Sunday said the time was apt for the Reserve Bank to cut interest rates, as inflation might remain at moderate levels.

### **3. KVB to raise Rs 760 cr via rights issue, price fixed at Rs 76 a share**

Bank to offer one share for every six held; issue proceeds to be used to fuel growth

Gireesh Babu

Karur Vysya Bank is planning to raise around Rs 760 crore through a rights issue, in order to fund its future growth.

The Board of Directors of the Bank met today and decided to issue equity shares via rights issue to its eligible shareholders in the ratio of one equity share for every six held on a record date.

K Venkataraman, Managing Director and Chief Executive Officer of the Bank, said that the bank plans to raise funds as soon as the necessary approvals are in place. The funds would be used to fuel growth, which is expected to rise this fiscal on the back of overall economic growth.

The company is expecting a growth of 12-15 per cent this year, he added.

The issue price has been fixed at Rs 76 per equity share, with a premium of Rs 74 per equity share.

The company's total income grew to Rs 6,404.57 crore during the year ended March 31, 2017, from Rs 6,150.21 crore the previous year. Its net profit stood at Rs 605.98 crore during the fiscal year 2016-17, up from Rs 567.63 crore the previous year.

The company has seen its growth recovering during the last quarter and expects the economy to grow further during the current fiscal year.

Financial Express

### **4. ICICI Bank CEO Chanda Kochhar draws Rs 6.09 cr remuneration in FY17**

ICICI Bank today said its managing director and CEO Chanda Kochhar has drawn Rs 6.09 crore as total remuneration in 2016-17

By: PTI

ICICI Bank today said its managing director and CEO Chanda Kochhar has drawn Rs 6.09 crore as total remuneration in 2016-17. However, total remuneration of Rs 7.84 crore, including Rs 2.2 crore as performance bonus, was due to her for the fiscal ended March 2017. The performance bonus is paid to the top management after clearance from the regulator RBI and it is staggered over next few years. "Remuneration comprises various components including basic salary, allowances and perquisite, PF, superannuation allowances, gratuity and performance bonus. Payment of performance bonus is deferred over a multi-year period," ICICI Bank said in a statement. "So the total compensation paid to our MD and CEO in FY17 stood at Rs 6.09 crore not Rs 7.84 crore," it said.

According to latest annual report, the monthly basic salary for Kochhar will be within the range of Rs 1,350,000-Rs 2,600,000. In her message, Kochhar said ICICI Bank is focused on capitalising on growth opportunities. At the same time, the bank is taking steps to address challenges in environment. "Our large size, capital base, robust funding profile, extensive distribution network, diversified portfolio, presence across the financial services sector and leadership in technology, position us very well to leverage the growth opportunities across the economy," Kochhar said.

## **5. City Union Bank's Q4 and full year net profits rise**

OUR BUREAU

City Union Bank's (CUB) net profit for the full year 2016-17 crossed ₹500 crore for the first time in its history, while asset quality improved on a sequential basis.

For FY17, CUB's net profit grew 13 per cent to ₹503 crore, against ₹445 crore in FY16. Operating profit was 19 per cent higher at ₹994 crore (₹833 crore). Net interest income was up 22 per cent at ₹1,199 crore (₹981 crore).

"Considering the overall banking industry, we have been able to show a decent performance. Our credit growth for the year was in double-digits while industry growth was in single digit," said the bank's MD and CEO, N Kamakodi.

Advances grew 13 per cent to ₹24,112 crore (₹21,253 crore), while total deposits went up 11 per cent to ₹30,116 (₹27,158 crore).

For the quarter ended March 31, 2017, the bank's net profit grew 15 per cent to ₹129 crore, against ₹112 crore in the year-ago period, helped by an 11 per cent growth in operating profit to ₹248 crore (₹224 crore).

A 17 per cent growth in net interest income at ₹311 crore (₹264 crore) aided the company's bottomline during the quarter. Its net NPA was higher at 1.71 per cent in Q4 (1.53 per cent). However, it was marginally down from 1.72 per cent in Q3 of FY17.

"After several quarters, we have seen a sequential reduction in NPA. But we have to wait and see whether this trend will continue," Kamakodi said.

The board has declared a dividend of 30 per cent (₹0.30 per equity share) on the face value of ₹1 and also a bonus issue in the ratio of 1:10.

Kamakodi also announced CUB's new digital banking initiatives that include 'selfie banking' and money spend tracker facilities.

## **6. AIBOC to oppose 'private sector candidate' for RBI Dy Governor**

All India Bank Officers' Confederation (AIBOC) has opposed the alleged move to recruit a candidate from the private sector for appointment as Deputy Governor with Reserve Bank of India.

The RBI has issued an advertisement on its website for the post, apparently in place of SS Mundra whose term ends in July.

### **NOT CLEAR**

The advertisement sought applications from candidates with over 15 years of experience in banking and financial market operations.

It did not specify whether this was intended as replacement for Mundra who has been closely involved in the bad loan resolution process.

"However, we assume that the Finance Ministry has initiated the process to find a replacement for him," said DT Franco, general secretary, AIBOC.

Candidates seeking selection must also have been whole-time directors or board members.

It does not also specify whether the candidate should be from the public sector or private sector banks.

### **TRADITIONAL BASE**

Potentially, the RBI could appoint a deputy governor from the private sector for the first time when SS Mundra demits office, says Franco.

The eligibility criteria mentioned point to the fact the Centre is seeking candidates from 'beyond its traditional recruitment base.'

Besides practicing bankers from both private and public sectors, it makes even consultants who have worked closely with banks eligible for the post.

"We are already in an agitation under the umbrella of United Forum of Bank Unions protesting the privatisation and merger drive in the sector."

"If this goes unheard and the government does not intervene with some immediate steps to address our issues, we will be left with no other option but resorting to even a bank strike," Franco said.

### **STRIKE THREAT**

The RBI has traditionally appointed four deputy governors: Two are from within the Central Bank, one is an economist generally from the government, and the other is from the banking sector.

So far, the Deputy Governor from the banking sector has been drawn from the public sector banks.

While NS Vishwanathan and BP Kanugo are from the RBI itself, Viral Acharya was recently appointed to the position meant for an economist in charge of monetary policy.

Mundra has been a banking sector representative. He was earlier the Bank of Baroda Chairman and Managing Director.

## **STRESSED ASSETS**

It is unfortunate that at a time when stressed assets of public sector banks needs to be decisively dealt with by RBI, the Centre is trying to encourage candidates from private sector, Franco said.

A larger portion of the stressed assets are attributed to the private corporate defaulters. Hence, a Deputy Governor, if selected from the private sector, may not be in the right position to deal with them.

The AIBOC will vehemently oppose such move by the Ministry of Finance to encourage such by ignoring tradition.

The RBI must come up with a revised advertisement or strictly refrain from appointing any candidate, Franco said.

Prior to his appointment as Deputy Governor, incumbent Governor Urjit Patel was advisor with Boston Consulting Group. He had also had a stint with Reliance Industries.

So, AIBOC has 'legitimate apprehension' that Patel too will be inclined to appoint a Deputy Governor from the private sector.

With kind regards,

Yours Comradely,



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