



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

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News of Interest 28th NOV

MOTIVATIONAL QUOTES

“GREAT THINGS IN BUSINESS ARE NEVER DONE BY ONE PERSON. THEY'RE DONE BY A TEAM OF PEOPLE.” STEVE JOBS

HIGHLIGHTS

- 1. PSBS MAY FACE RS 40,000-CR LOSS DUE TO BAD LOANS**
- 2. BOB SCALES UP SUPPLY CHAIN FINANCE TO MSME**
- 3. BANKS CREDIT PROVISIONS TO RISE TO RS 2.4-2.6 TRILLION FOR FY18, SAYS ICRA**
- 4. BANKS CAN NOW USE PROVISIONAL RATINGS FOR REJIGGING LOANS**
- 5. SBI'S YONO APP PROMOTIONAL SETS THE RIGHT TONE**

Business standard

1. PSBs may face Rs 40,000-cr loss due to bad loans

Write-offs by commercial banks reach Rs 65,800 crore in first half of FY18

Abhijit Lele

Commercial banks wrote off about Rs 35,000 crore of bad loans in July-September, taking write-offs to Rs 65,800 crore in the first half of the financial year.

Credit costs — the amount set aside for bad loans and stressed assets — for ageing non-performing assets (NPAs) and National Company Law Tribunal cases would take provision coverage ratio to 58-60 per cent by the end of FY18, from 44.3 per cent at the end of March 2017, according to rating agency ICRA.

Banks' credit provisions surged to Rs 64,500 crore during Q2 FY18, up 40 per cent on a sequential basis and 30 per cent on a year-on-year basis. For

April-September FY18, the total credit provisions were up 17 per cent on a year-on-year basis at Rs 1.1 lakh crore.

"The total exposure of Rs 3 lakh crore of accounts is likely to be resolved under the Insolvency and Bankruptcy Code (IBC). And the overall credit provisions are likely to be at Rs 2.4-2.6 lakh crore (including impact of ageing on existing NPAs and provisioning on IBC accounts) for FY18, against Rs 2 lakh crore during FY17," ICRA said. Out of this, requirement provisions of NCLT cases on lists 1 and 2 (see chart) are Rs 45,000-60,000 crore in the second half of the current financial year. Most of the burden would fall on public sector banks (PSBs). This can result in losses before taxes of Rs 30,000-40,000 crore for PSBs during FY18.

Fresh slippages during Q2 FY18 stood at 3.9 per cent (annualised), the lowest since the beginning of the asset quality review initiated by the Reserve Bank of India during Q3 FY16. More than 80 per cent of the slippages during the quarter were outside the standard restructured advances. The slippages ratio was 6.3 per cent (annualised) during Q1 FY18 and 5.5 per cent for FY17. ICRA said the asset quality pain was likely to continue in the near term with Rs 1.7 lakh crore of standard restructured advances.

2. BoB scales up supply chain finance to MSME

Bank of Baroda has sanctioned Rs 3,700 crore to anchor clients and expect to book loan business of Rs 700 crore-Rs 800 crore for supply chain finance by the end of FY18

BS Reporter

As a step to scale up supply chain finance for the micro, small and medium enterprises (MSME) segment, Bank of Baroda (BoB) has sanctioned Rs 3,700 crore to anchor clients and expect to book loan business of Rs 700 crore-Rs 800 crore for supply chain finance by the end of FY18.

Financial Express

3. Banks credit provisions to rise to Rs 2.4-2.6 trillion for FY18, says ICRA

Banks credit provisions are likely to surge to Rs 2.4-2.6 trillion in fiscal 2018 compared to Rs 2 trillion last year due to provisioning for IBC accounts and ageing of NPAs, says a report

By: PTI

Banks credit provisions are likely to surge to Rs 2.4-2.6 trillion in fiscal 2018 compared to Rs 2 trillion last year due to provisioning for IBC accounts and ageing of NPAs, says a report. The recent amendments to the Insolvency and Bankruptcy Code (IBC) will increase provisioning requirement for banks, according to a report by rating agency IcrA. It said increase in provisioning will result in higher losses for state-run banks during the year. In the second quarter banks' credit provisions rose to Rs 64,500 crore during the second quarter of the current fiscal, up by 40 per cent on a sequential basis and 30 per cent on a y-o-y basis. "With the total exposure of Rs 3 trillion of accounts likely to be resolved under IBC, the overall credit provisions are likely to be at Rs 2.4-2.6 trillion, including impact of ageing on existing NPAs and provisioning on IBC accounts for FY18 as against Rs 2 trillion during FY17," IcrA's group head (financial sector ratings), Karthik Srinivasan, said in a webinar today. Last week the President gave his assent to the ordinance

amending the IBC which keeps out those promoters who have willfully defaulted on their debt obligations or are habitually non-compliant and, thus are likely to be a risk to successful resolution of the insolvent company. Srinivasan said with the recent amendments in IBC, the likelihood of the higher losses and a further increase in credit provisions appears to be a possibility.

"A limited resolution seen in the second list of stressed borrowers may also force banks to refer to these borrowers under IBC, further adding to the provisioning requirements," he said. He, however, said while debarring defaulting promoters may add to short-term pain for banks, it may discourage overleveraging by borrowers and is likely to be good for the overall credit culture in future. The rise in credit provisions will result in losses before taxes of Rs 30,000-40,000 crore for public sector banks (PSBs) during the current fiscal. Srinivasan said the asset quality pain is likely to continue in the near-term with nearly Rs 1.7 trillion of standard restructured advances. The gross non-performing assets (GNPA) of Rs 8.8-9 trillion or 10-10.2 per cent to peak out by end of the fiscal as against GNPA of Rs 7.65 trillion or 9.5 per cent as on March 31, 2017.

PSBs are positioned weakly on their capital ratios with seven PSBs (out of 21) and 12 PSBs below the regulatory minimum capital level required for March 2017 and March 2018 respectively. With the challenges of meeting capital levels, the PSBs continue to refrain from growing advances, which is reflected in a year-on-year growth of less than 1 per cent in advances of PSBs even as the private sector banks continue to achieve a higher year-on-year growth of 17.2 per cent as on September 30, 2017. The rating agency expects the scope of a further cut in deposit rates to be limited, even as the cost of deposits will continue to decline upon re-pricing of fixed deposits, which, coupled with competitive pressure, may drive a marginal cut in lending rates.

Economic Times

4. Banks can now use provisional ratings for rejigging loans

By Sugata Ghosh, ET Bureau

The Reserve Bank of India has allowed lenders to rely on 'provisional ratings' — which will not be disclosed to the market — for rejigging loans to distressed companies before resorting to the insolvency mechanism. Over the next one month, large banks will attempt to spot distressed companies whose loans can be restructured based on provisional ratings.

Till now, all upgrades, downgrades and outlook on debts by credit rating agencies were put out in the public domain. Faced with a mountain of bad loans and few resolutions, financial regulators are making an exception.

NPA loans have a 'D' or 'default grade' rating. The provisional rating will capture whether the execution of the restructuring proposal would upgrade the rating to 'investment grade'.

However, the information of a provisional 'upgrade' of the debt (from 'D' to 'investment grade') would be primarily meant for banks and RBI. In such cases, the Securities and Exchange Board of India has exempted rating agencies from the rule that requires any rating action to be immediately communicated to financial markets.

Such ratings have to be of minimum investment grade and obtained from

two rating agencies. This will enable banks to evaluate the viability of a corporate borrower and its ability to service loans left after haircut.

"If there is provisional upgrade, banks and RBI would have comfort in approving the restructuring instead of referring the borrower to NCLT (National Company Law Tribunal). RBI has recently informed the decision to banks and agencies," a banker told ET.

Provisional ratings will depend entirely on the loan restructuring terms — which typically entail easier repayment terms, lower interest and haircut against commitment of fund infusion, sale of idle or loss-making assets and furnishing of guarantee and additional security. Lenders will give rating agencies the mandate to evaluate whether a loan account qualifies for provisional upgrade based on a specific restructuring proposal.

"These will be largely out of pre-NCLT accounts and companies where bankers feel there is a possibility of turnaround," said a banker. Soon after a default, any financial creditor (among others) can file a petition before NCLT to initiate proceedings under the Insolvency and Bankruptcy Code.

"Many earlier loan restructuring plans did not work out or result in any rating upgrades. So, we believe RBI wants rating agencies and banks to check the viability and see whether a company deserves a lifeline. Rating agencies have probably been brought in for external validation," said a person dealing with stressed assets.

The regulator has clarified that rating agencies will not carry out advisory services in estimating a company's 'sustainable debt' — the quantum of debt that a distressed company would be able to service. Say, of the Rs 1,000 crore debt on the books of a borrower, the unsustainable portion of Rs 400 crore is converted into equity while the balance Rs 600 left as debt as the sustainable part.

Rating agencies will evaluate whether this sustainable debt is worthy of investment grade rating while lenders will carry out due diligence to estimate the quantum of such debt. The exercise will test the ability of banks as well as rating agencies in finding a way out for debt-laden companies. The possibility of additional endorsement on loan restructuring by an external agency (like a rating agency) was flagged off by a regulatory official earlier this year. RBI has now formalised the mechanism through recent communications.

5. SBI's YONO app promotional sets the right tone

VINSON KURIAN

'Lifestyle & Banking, *Dono*'. The catchline in the promotional video perfectly captures the essence of YONO (You Only Need One), the new, unified integrated app from State Bank of India (SBI).

The video was screened here on Friday from New Delhi where Finance Minister Arun Jaitley and SBI Chairman Rajnish Kumar jointly launched the app at a colourful function.

Beamed live

The event was beamed to all State capitals where SBI has a local head office (LHO), in front of an invited audience comprising top officials from the government and banks as well as leading public figures.

At Thiruvananthapuram, the video was presented to a cheering audience, with generous applause being reserved for the catch line that cleverly pitched 'lifestyle' ahead of 'banking.'

The message was clear; the bank was looking to woo the millennial and generation-next with the new app, something that was reflected in the choice of the chief guest at the local event. The chief guest was young long jumper Nayana James, who said she had initially wondered why she should have been invited, but was 'convinced' after the promo video was aired.

S Venkataraman, Chief General Manager at the Thiruvananthapuram LHO of SBI, concurred, hoping YONO's appeal would grow by 'leaps and bounds' as would Nayana's performance at the jumping pit.

He said that a non-SBI customer could open an account using Aadhaar and PAN and proceed to install YONO on the handset. While 'Lifestyle & Banking, Dono' synced perfectly with YONO, its threat to render 'useless, jobless and homeless' a constellation of competing apps in banking and lifestyle space came through well and clear.

'Clear up things'

This is also what the promo sought to convey, saying, 'In a world cluttered with apps, we set out to clear up things....,' making its intentions clear at the outset itself.

Set to foot-tapping music and interspersed with psychedelic light and sound effects, the video set a mood of *joie de vivre* with faces of SBI officials in the audience beaming with understandable pride. They burst into peals of laughter when the promo said 'no questions asked, but conditions apply' when it came to the speed with which one can access loans through YONO.

YONO is designed to meet lifestyle needs across a wide range of categories, 14 as of now, with SBI partnering with 60 leading names in the e-commerce space.

Developed using artificial intelligence, predictive analysis and machine learning, it promises to deliver maximum customer convenience, and has Android and iOS versions for download.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

