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Dear Comrades,

19th October , 2017

**News of Interest 19<sup>th</sup> OCT**

**MOTIVATIONAL QUOTES**

“LET US ALWAYS MEET EACH OTHER WITH SMILE, FOR THE SMILE IS THE BEGINNING OF LOVE.”  
MOTHER TERESA

**HIGHLIGHTS**

1. ANDHRA BANK PUTS UP RS 1,653-CR OF NPAS FOR SALE
2. AXIS BANK SHARES CRASH 9.4% AS ASSET QUALITY WORSENS
3. BANKS TO PROVIDE FUNDS AT 7% TO WOMEN SELF-HELP GROUPS UNDER DAY-NRLM
4. OLD PRIVATE SOUTHERN BANKS LIKE FEDERAL, LAKSHMI VILAS BANK SET FOR BETTER TIMES
5. 1,000 BRANCHES RATIONALIZED POST THE MERGER OF ASSOCIATE BANKS, SAYS SBI DEPUTY MD
6. PNB HOUSING TO SEEK BOARD NOD FOR RAISING OVER RS 12,000 CR

**Business Standard**

**1. Andhra Bank puts up Rs 1,653-cr of NPAs for sale**

The gross and net NPA ratios were 5.75 per cent and 2.99 per cent, respectively, in June 2015

BS Reporter | Hyderabad

Government-owned Andhra Bank has put up 62 stressed loan accounts, with a combined principal balance of Rs 1,653 crore, for sale in a move to partly reduce the burden of non-performing assets (NPAs).

This will be the second NPA sale by the bank in this financial year. In June, it sold Rs 3,871 crore of NPAs. The bank had added Rs 2,214 crore in new NPAs during the 12 months ended June; reduction in NPAs stood at Rs 456 crore during the same period. The present round of auction, which would take the total sale of NPAs to a little over

Rs 5,500 crore, comes ahead of the announcement of financial results for the September quarter. The loan accounts of L&T Chennai Tada Tollways (Rs 108 crore), Chennai Elevated Toll way (Rs 60.96 crore) and Bartronics India (Rs 78.56 crore) are some of the large NPAs in the current asset sale.

As on June, gross and net NPAs had risen to 13.33 per cent and 9.09 per cent, respectively, from 10.3 per cent and 6.21 per cent in June 2016. The gross and net NPA ratios were 5.75 per cent and 2.99 per cent, respectively, in June 2015.

Close to 70 per cent of the bank's Rs 194,280 crore NPAs arise from its operations in Delhi, Telangana and Maharashtra. Iron and steel, infrastructure, textiles and construction contribute to the bulk.

The bank's total business was Rs 334,073 crore, of which advances were Rs 188,272 crore as on June. During the June quarter, credit growth was 6.25 per cent at Rs 145,801 crore, on the back of higher growth in lending to individuals and small and medium enterprises. The management has been gearing up to expand the business by raising tier-2 capital, in addition to Rs 1,100 crore of infusion by the government earlier this year.

## **2. Axis Bank shares crash 9.4% as asset quality worsens**

Brokerages cut price target and earnings forecast

Samie Modak & Agencies | Mumbai

Shares of Axis Bank dropped on Wednesday by the most in two years, after the third largest private sector lender's profit missed Street expectations, amid worsening of asset quality. The stock declined 9.4 per cent to close at Rs 465, with a little more than Rs 10,000 crore of value getting eroded.

Axis reported gross non-performing assets (NPAs) of 5.9 per cent for the quarter ended September, compared with 4.17 per cent for the same quarter last year. It reported net profit of Rs 430 crore on Tuesday, after the market closed, much lower than the analysts' forecast of Rs 1,320 crore.

The disappointing results spooked investors and sparked concerns about the recovery of stressed assets in the banking sector. Most banking stocks also saw sharp declines, even as the benchmark indices remained flat.

ICICI Bank fell four per cent and State Bank of India declined three per cent. The BSE Bankex, a gauge for performance of stocks in the segment, fell 1.8 per cent. In comparison, the benchmark BSE Sensex fell 0.1 per cent.

The 12-month consensus price target for the Axis Bank stock saw a five per cent cut, according to data provided by Bloomberg.

At least half a dozen brokerages, including Morgan Stanley, BNP Paribas and JP Morgan, cut their price target on the stock by five to 12 per cent.

Analysts see pressure on profit, as the bank expects credit costs to go up. Chief Financial Officer Jairam Sridharan, in a conference call, said these costs for the year would amount to 220 to 260 basis points (bps), higher than earlier estimate of 175 to 225 bps, due to higher slippage in bad loans.

The results were "the most disappointing quarterly earnings" as it missed on all key operating parameters, according to a note from Goldman Sachs Group, which cut its price target on the stock by three per cent to Rs 431.

"Continued disappointment from outside watch-list slippages has rattled investors' confidence, as the sanctity of watch-list claims stands challenged. Not only was stress creation much higher than anticipated but the road to recovery is also expected to be arduous," said a note by Edelweiss.

The brokerage cut its FY18 earnings estimate by 30 per cent and downgraded the stock to 'hold', from 'buy'. It cut the price target to Rs 545, from Rs 638 earlier.

"The quarter was marred by higher non-performing loan (NPL) recognition and provisions. However, the pool of below investment grade exposure is steadily trending down, at 5.9 per cent of exposure ex-retail. The new business franchise remains robust, although NPL pains will be visible the next two quarters," said Jefferies, which maintains a 'buy' recommendation, with a revised price target of Rs 635.

## **Financial express**

### **3. Banks to provide funds at 7% to women self-help groups under DAY-NRLM**

The RBI today said banks will provide funds to women SHGs (self-help groups) in rural areas at 7 per cent under the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) in the current fiscal

By: [PTI](#) | Mumbai |

The RBI today said banks will provide funds to women SHGs (self-help groups) in rural areas at 7 per cent under the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) in the current fiscal. The central bank issued the revised guidelines on interest subvention scheme under DAY-NRLM, as received from the Ministry of Rural Development for implementation by 21 public sector banks and 19 private banks. "All women SHGs will be eligible for interest subvention on credit up to Rs 3 lakh at 7 per cent per annum... Banks will lend to all the women SHGs in rural areas at the rate of 7 per cent," it said. Banks will be subvented to the extent of difference between the Weighted Average Interest Charged and 7 per cent subject to the maximum limit of 5.5 per cent for the year 2017-18. "This subvention will be available to banks on the condition that they make SHG credit available at 7 per cent per annum," the notification said.

The Ministry of Rural Development in consultation with state governments will harmonise State specific interest subvention schemes, if any, in line with the central scheme. The interest subvention scheme on credit to women SHG during 2017-18 is applicable in 250 districts across the country.

Aajeevika - National Rural Livelihoods Mission (NRLM) was launched by the Ministry of Rural Development in June 2011. Aided in part through investment support by the World Bank, the Mission aims at creating efficient and effective institutional platforms of the rural poor, enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.

## **Economic Times**

### **4. Old private Southern banks like Federal, Lakshmi Vilas Bank set for better times**

PTI|Updated

The South-based mid-sized private sector lenders are poised to see accelerated earnings growth going ahead as their asset quality ratios have peaked out and loan

growth is likely to revive after remaining muted over the past couple of years, said a report today.

Also, the niche positioning in their respective home markets will help banks like Federal Lakshmi Vilas, South Indian, City Union and Karur Vysya to grow faster, said the report by ICICI Securities.

"We prefer banks with superior earnings growth, sustainable NIMs, stable asset quality, granular loan mix and adequate capital. We expect these five banks to witness a loan CAGR of 11-22 per cent and earnings CAGR of 12-25 per cent over the next two years," it said.

The brokerage says these banks' expertise in small-ticket loans to the self-employed segment and good relationship-based banking model will ensure higher-than-industry growth. And therefore maintains a buy/hold on all these four lenders with the Federal City Union getting a buy call and the other two a hold call.

"Asset quality improvement for these banks will be aided with a strategic shift to retail/SME lending, lack of participation in large consortium-based lending and relatively small stressed-asset portfolios (5/25, SDR, S4A, standard restructured book etc) will come in handy."

While the report sees a potential upside of 18, 19 and 18 per cent respectively for Federal, City Union and Karur, it sees 1 per cent upside to SIB and 5 per cent gain for LVB.

The niche positioning in the respective home markers has ensured that despite intense competition, coupled with their unique relationship-based business model and expertise in SME/retail lending, these banks have consistently maintained or gained market share in home states and at the system level, noted the report.

It also attributes the long-lasting relationship these banks with the households, traders, SMEs, corporate branches etc helping them mine repetitive business.

At the same time these banks are aggressively targeting other markets and the report specifically names the Kochi-based Federal Bank as a stand-out case in breaking the wall to grow outside home state. Today Federal Bank nets as much as 80 per cent of its business from outside Kerala.

Another key enabler is their superior asset quality. Asset quality of regional banks is far superior to that of their PSBs, due to higher retail/SME loans, where delinquencies are low while small-ticket loans enable a speedy recovery.

The report noted that between FY12 and FY15 when state-run banks were struggling on asset quality and growth fronts, regional banks were realigning their business models to participate aggressively in the next phase of growth.

During the consolidation phase, they have strategically sacrificed growth to revamp business models and in the process, shifted their focus towards lending to retail and SMEs, and strengthened credit monitoring systems, enhanced efforts to improve Casa franchise, and cost optimisation.

"These efforts have started yielding positive outcomes as reflected in an increase in market share in their respective home states as well as at system level," it says.

It named Federal and Lakshmi Vilas in market share in systemic advances and started demonstrating higher growth outside their home states, while Karur Vysya South Indian and City Union are still in implementation mode.

The report attributes these banks better asset quality to the better understanding of geographical, political, and cultural dynamics of their geographies which help them take corrective steps well in advances and thus prevent delinquencies.

Noting that the Southern markets traditionally have better credit culture, the report noted of the five states with over 100 per cent credit to deposit ratio, three of them are in the South--TN, Andhra and Telangana, while Kerala has the lowest at 60 per cent but offers a better opportunity.

## **Business Line**

### **5. 1,000 branches rationalized post the merger of associate banks, says SBI Deputy MD**

OUR BUREAU

State Bank of India (SBI) has rationalized 1,000 branches in the April-September 2017 period, post-acquisition of five associate banks and the Bharatiya Mahila Bank, said a senior official.

Prashant Kumar, Deputy Managing Director, SBI, said: "After the merger we had almost 24,000 branches. So far, 1,000 branches have been rationalized. This (rationalization) we were planning to do by December-end but we could complete that by September-end. So, the entire branch rationalization part is over."

## **Voluntary retirement**

Out of 80,000 employees of the erstwhile associate banks, almost 3,500 had opted for voluntary retirement, Kumar said at an event where SBI Foundation, the CSR subsidiary of State Bank of India, sanctioned ₹10 crore for conservation and restoration of Mumbai's iconic Chhatrapati Shivaji Maharaj Terminus (CSMT), a UNESCO world heritage site.

Kumar said his bank is in the process of completing recruitment of almost 2,000 probationary officers. After assessing the manpower requirement, the bank may go for recruitment in the clerical cadre also.

## **'Digital' villages**

The senior SBI official elaborated that as part of its CSR initiative his bank has so far identified 50 villages for turning them into 'digital' villages. Going forward, across the country, the bank would identify almost 500 villages, especially from backward States.

"So, each of these villages will become a digital village. There would be 100 per cent financial inclusion and financial literacy.

"There would be scope for employment so that these villages can sustain over a period of time. And all these villages will be having healthcare and schooling facilities," he said.

### **6. PNB Housing to seek board nod for raising over Rs 12,000 cr**

PTI

PNB Housing Finance will seek board approval for raising over Rs. 12,000 crore

through issuance of non-convertible debentures and masala bonds, according to a regulatory filing.

The company plans to raise up to Rs. 6,000 crore by way of issuance of secured and unsecured non-convertible debentures.

Besides, it has plans to issue masala bonds up to \$ 1,000 million in one or multiple tranches, the filing said.

Generally, masala bonds are rupee-denominated bonds issued overseas.

Both proposals would be considered by the company's board of directors during its meeting scheduled to be held on October 25.

Shares of the firm closed 10.55 per cent lower at Rs. 1482.20 on BSE.

With kind regards,

Yours Comradely,



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