



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)
163/4, Kutcheri Road, Mylapore, Chennai - 600004
E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

| | | | |
|---|--|--|--|
| Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456 | Com. Nitin Desai President Ahmedabad M: 097277 60641 | Com. S. Bagchi Working President Kolkata M: 0983081586 | Com. N. Govindarajulu General Secretary Chennai M: 09841089111 |
|---|--|--|--|

Dear Comrades,

25th April, 2018

News of Interest 25th APR

MOTIVATIONAL QUOTES

IF YOU'RE GOING THROUGH HELL, KEEP GOING.

WINSTON CHURCHILL

HIGHLIGHTS

1. ICICI BANK TO KEEP HOME FINANCE AS STANDALONE ARM, DROPS PLAN TO SELL STAKE
2. CCI RULES OUT CARTELISATION AMONG BANKS IN FIXING SAVINGS INTEREST RATES
3. BANKRUPTCY CODE: GOVT TO BRING IN ORDINANCE WITH MAJOR CHANGES SOON
4. WILL THE MERGER OF 3 GENERAL INSURERS MAKE THE NEW ENTITY MORE COMPETITIVE?
5. IDFC BANK Q4 NET PROFIT FALLS 76% ON ERODING ASSET QUALITY

Business Standard

1. ICICI Bank to keep home finance as standalone arm, drops plan to sell stake

While most banks and their housing finance arms tend to step on each other's toes, ICICI Home Finance wants to target profiles that its parent bank seems to be overlooking

Nikhat Hetavkar

ICICI Home Finance will continue to be the wholly owned subsidiary of ICICI Bank, as the bank has dropped plans to sell its stake. Additionally, the housing finance company (HFC) is looking to expand into spaces that the parent bank has not penetrated. It will now provide home loans to customers with self-assessed income.

"ICICI Home Finance was always seen as an extension of the bank. But, now we are moving towards a separate subsidiary," said Anup Bagchi, executive director, ICICI Bank and added that their processes and credit policies were different from the bank.

The HFC's loan book currently stands at Rs 100 billion and the company aims to triple it to Rs 300 billion in three-four years. The Prime Minister's 'housing for all' scheme has created an immense opportunity in the affordable housing segment. This has prompted the bank to decide on retaining the HFC, said Bagchi.

While most banks and their housing finance arms tend to step on each other's toes, ICICI Home Finance wants to target profiles that its parent bank seems to be overlooking.

Initially, the HFC had the same approach as the bank and, thus, focused more on the salaried customers. But now it is eyeing self-assessed customers, the market for which lies mainly in the semi-urban and rural areas. The company plans to cash in on ICICI Bank's large rural customer base to reach out to them.

"The skills required, ticket sizes, the markets and the ways to generate value out of the opportunity are all very different (in the case of lending to self-assessed income customers). So, we thought to house it in the HFC and not in the bank and decided to re-strategize our HFC", said Bagchi.

While the risk is higher in this profile, so is the pricing. "Our NIM (net interest margin) would be higher because of the pricing. We also have an advantage — our cost of finance is low because of ICICI parentage," said Bagchi. The company expects NIM to expand from the present 4 per cent.

In another of its several efforts to capture the retail segment, the HFC has entered the consumer durables market by partnering with various brands and large format retail stores.

The company has no plans of listing in the near future, as it is adequately capitalised for now and wants to first grow the business. Meanwhile, ICICI Bank's Ex-Senior General Manager Anirudh Kamani was appointed as the HFC's chief executive officer in November 2017.

ICICI Home Finance reported a net profit of Rs 1.83 billion on a total income of Rs 10.53 billion in 2016-17, as against a net profit of Rs 1.80 billion on a total income of Rs 10.71 billion in 2015-16. The company's net worth stood at Rs 15.84 billion as on March 31, 2017, revealed an ICRA report.

2. CCI rules out cartelisation among banks in fixing savings interest rates

The fair trade watchdog examined the parallel behaviour of banks in offering similar savings bank interest rates and levying similar service charges on a suo motu basis

Press Trust of India

The Competition Commission of India (CCI) has ruled out cartelisation among banks in fixing savings interest rates, after finding the rates are based on independent assessment of market conditions rather than any collusive arrangement.

The fair trade watchdog examined the parallel behaviour of banks in offering similar savings bank interest rates and levying similar service charges on a suo motu basis. It also looked at the role, if any, played by the Indian Banks' Association in determining these rates and charges.

The regulator was "prima facie satisfied" that under the aegis of the IBA, a majority of banks were acting in concert in relation to savings bank interest rates and banking charges. Finding this in contravention of the Competition Act, the CCI passed an order in January 2015, directing the Director General (DG), to probe the matter.

In a 20-page order, the CCI said it is of the view that there is no reason to disagree with the findings of the DG as the material on record does not suggest any cartelisation amongst banks and/or IBA, between 2011 to 2016, to determine savings bank interest rates or service charges.

Financial Express

3. Bankruptcy code: Govt to bring in ordinance with major changes soon

The ordinance will seek to address the problem of unintended disqualification of bidders by streamlining Section 29A of the IBC. Only those who contributed to defaults of the company or are otherwise undesirable would be rendered ineligible

By: FE Bureau

The Cabinet will likely consider a proposal on Wednesday to bring in an ordinance to effect major changes to the Insolvency and Bankruptcy Code (IBC), ranging from narrowing an exclusion criterion to boost the number of bidders for stressed assets and treating home-buyers as financial creditors to allowing promoters of small businesses who are not wilful defaulters to bid. The ordinance will be based on the changes suggested in a report by a 14-member Insolvency Law Committee, headed by corporate affairs secretary Injeti Srinivas. A draft Cabinet note has already been circulated by the corporate affairs ministry for this purpose, said an official source.

The ordinance will seek to address the problem of unintended disqualification of bidders by streamlining Section 29A of the IBC. Only those who contributed to defaults of the company or are otherwise undesirable would be rendered ineligible.

The ordinance will narrow the scope of disqualifications under 29A of the code by making way for a carve-out for pure-play financial entities. Applicants holding an non-performing asset account due to the acquisition of

a corporate debtor will be exempted from the disqualification criteria under Section 29A. However, such financial entities will be defined in the code to clarify the scope of the exemption, which will, however, not be applicable to financial entities if they are related parties of the corporate debtor.

Also, where disqualification is personal in nature, it will not result in exclusion of related parties. The ordinance will provide for a proper definition of 'related parties' of individuals under the IBC.

A case admitted for resolution can be withdrawn (before the plan is approved) by the appellate body if 90% of creditors agree. This means even unsuccessful bidders may stand a chance to bid for a stressed asset if they sweeten their offers, which could ultimately lead to a lower haircut by creditors. The vote share required for approving a plan for resolution or liquidation by the committee of creditors is to be reduced to 66% from the current 75%.

Home-buyers, who were not recognised as a category of lenders earlier, will be accorded the status of financial creditors like banks. Accordingly, home-buyers will form a part of the committee of creditors (CoC) that approves a resolution plan and their voting rights will be in step with their advances. Also, it could also allow people to file resolution applications on behalf of the financial creditors as their guardians or the administrators or executors of their estates or their debenture trustees. Similarly, representatives will be permitted to vote on behalf of certain creditors — exceeding a threshold — at meetings of the CoC. This move is aimed to help mainly home-buyers.

The ordinance could also provide for a clarification that guarantors of a corporate debtor are ineligible if the guarantee has been invoked by the creditor and remains unpaid in full or in part. Also, a moratorium will not apply to the surety of guarantors to the corporate debtor.

Economic Times

4. Will the merger of 3 general insurers make the new entity more competitive?

By *Shilpy Sinha*, ET Bureau

A quarter of a century after Independence, India began the experiment of consolidating its general insurance companies to underpin the growth of a largely government-owned, capital intensive industry. Another quarter of a century later, the process of liberalisation began as New Delhi began unshackling its state-controlled economy, integrating into the global economic order.

And nearly another quarter century later, the government has now decided to merge three of its unlisted general insurance companies to create a behemoth that it hopes would fetch it a better valuation and create a financially sound enterprise. For these companies, the oldest of which began operating in the then nerve centre of the British Empire, Calcutta, in 1906, the merger over the next two years is intended to create a sizeable government presence in the Rs 1.5-lakh-crore a year automobile, health and industrial insurance.

The proposed consolidation of National Insurance, United India and Oriental Insurance will decide the fate of 41,000 employees, 100,000 agents, 4.5

crore policyholders and 6,000 branches. Among the first casualties of a horizontal merger would be the elaborate layers of coordinating managements that have expanded over the preceding decades of independent existence for these companies.

"Three companies today have eight-nine regional offices and 200 other offices in Mumbai, which will not be required," says Yogesh Lohiya, former chairman of GICNSE 1.56 % Re. "Around a third of the offices will have to be rationalised."

To shore up operating performance, the three public sector insurance companies will have to reduce expenses and improve efficiency – the government will have to close down 2,000 to 3,000 branches and offices.

"The biggest challenge will be streamlining branches and manpower," said Lohiya. "The government will have to come out with a voluntary retirement scheme to let people move out."

But sales force and underwriting positions and claims departments may not be reduced drastically. There will be synergies in operational and maintenance departments. The technology department would shrink to have just one system.

"One-third of the branches will have to be closed down and once these branches are shut down, operational staff may see some reduction," says Rajesh Dalmia, partner, EY.

The biggest challenge will be moving people out in the senior and mid-level management. They will have to map out the gradation system for promotions. While doing so, anomalies will surface which will lead to further delays. What does it do with 20 general managers and 45 deputy general managers in the three companies?

"This merger will take two years to happen," said a chairman of a large public sector insurance company. "Solvency margins will not improve immediately."

A solvency margin is the buffer that an insurance company has in assets over its liabilities. Real estate could hold key to government revenues at a valuation of nearly Rs 10,000 crore.

SOLVENCY STATUS

Solvency margins of these companies had fallen below the prescribed 1.5 times. It is the minimum prescribed surplus of assets over liabilities. National and United have raised debt to shore up their solvency requirements blurring the financial strength.

"Solvency is not going to improve on day one of the merger," said Alpesh Shah, senior partner, The Boston Consulting Group. "There are positive synergies as the merged entity will be the number one player and will have clout with partners, e.g. OEMs and banks as well as with employees, hospitals, and all other stakeholders. But there will be a real challenge in realising the synergies, with the technology challenge involving three different systems."

As a result of lower solvency, these companies have been writing more retail health and motor policies, which have low capital requirements and are losing out on the bigger industrial covers.

Also, these companies have substantial real estate, which are not used in calculating solvency requirement. These state-run firms are financially stronger than banks that have been hobbled by bad loans. Unlike state-run banks, the government does not need to capitalise general insurance companies every year.

UNDERWRITING PERFORMANCE

General insurance companies are struggling to report profit from core underwriting business. The only exception is Bajaj Allianz General Insurance. The merger of the three leading public-sector insurance companies will create the largest general insurance company that will drive economies of scale. They will jointly command 31% market share. New India Assurance will become the second largest with 15.05% market share with private sector as a whole having a 54% market share.

The public sector insurance companies reported a combined underwriting loss of Rs 15,591 crore in 2016-17. Whether the merger will help in lowering losses from core operation will depend on how the merged entity goes about cutting costs. These three companies are bleeding and have low reserves. To boost reserves, the government has to invest capital.

The three companies will have to focus on lowering commission and operating expenses, which are a major part of the total expenses. so that policyholders do not suffer."

MONETISING ASSETS

If consolidation is to improve efficiencies, the ultimate aim of a shareholder is to monetise assets. The government, which has been struggling to make ends meet, aims to list the combined entity.

But a lot has to be done given the lack of investors' response to the IPOs of two companies — New India Assurance and the national reinsurer GIC Re — which had to be bailed out by Life Insurance Corporation. While New India is trading 20% below the IPO price, GIC Re is down 28%.

This does not mean that there would be no takers, but the pricing and the market conditions would make a difference. It may also be all about packaging like the way new age companies in the digital and startup world do.

"It is like large internet companies that do not make money on day one but they still are getting good valuations. Future demands are more valuable than the present book," says Dalmia of EY. "Post merger, this entity will be the largest in the industry, commanding a premium. As the largest entity, it will have the wherewithal to manoeuvre the market."

A 15% divestment can fetch the government at least Rs 9,000 crore, an equity analyst estimates. The company may be valued at Rs 60,000 crore based on its investment book, net worth and real estate.

The merged entity will be an undisputed market leader with 1.6 times the size of New India, but to remain a meaningful and significant business entity, it has to deliver on many fronts – costs, growth and profitability.

Business Line

5. IDFC Bank Q4 net profit falls 76% on eroding asset quality

OUR BUREAU

Private sector lender IDFC Bank on Tuesday reported a 76.16 per cent drop in its net profit for the quarter ended March 31, 2018, due to eroding asset quality.

Its net profit amounted to ₹41.93 crore in the January to March quarter of 2017-18 against ₹175.95 crore in the same period a year ago.

Similarly, for the fiscal year 2017-18, IDFC Bank's net profit declined by 15.7 per cent to ₹859.3 crore when compared to ₹1,019.73 crore in 2016-17.

Gross non-performing assets as a percentage of gross advances rose to 3.31 crore in the fourth quarter of 2017-18 from 5.62 per cent in the third quarter and 2.99 per cent in the fourth quarter of 2016-17.

Net NPAs, as a percentage of net loans by end of fiscal were 1.69 per cent (₹891.16 crore), when compared to 1.14 per cent (₹576.47 crore).

IDFC Bank's provisions and contingencies soared to ₹242.45 crore in the fourth quarter of the fiscal against a mere ₹4.79 lakh crore a year ago.

However, for the full fiscal year 2017-18, its provisions and contingencies fell to ₹236.09 crore against ₹282.50 crore a year ago.

The bank also reported a divergence of ₹270.70 crore in its gross NPAs for the year 2016-17. While it had reported gross NPAs of ₹1,542.10 crore during the year, the Reserve Bank of India had assessed it at ₹1,812.80 crore. Meanwhile, net NPA divergence was ₹203.02 crore, with the bank reporting it at ₹576.47 crore and the RBI assessing it at ₹779.49 crore

Total income of the bank rose to ₹2,374.34 crore in the fourth quarter, registering a 4.1 per cent increase. Interest income, however, fell sharply by 84 per cent to 3.44 crore in the fourth quarter from ₹21.91 crore a year ago.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

