



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

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| 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 |
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Dear Comrades,

26th July , 2018

News of Interest 26th JUL

QUOTE OF THE DAY

'IT ALWAYS SEEMS IMPOSSIBLE UNTIL IT'S DONE. ' NELSON MANDELA

HIGHLIGHTS

1. NON PCA STATE-RUN BANKS TO RETAIN LOAN MARKET SHARE AT 51% MEDIUM TERM
2. CANARA BANK REPORTS 12% RISE IN Q1 NET PROFIT ON HIGHER INTEREST INCOME
3. NPA ISSUE: BANKS TO ACQUIRE LANDS, UNFINISHED PROJECTS TO RECOVER \$20 BILLION IN REAL ESTATE BAD LOANS
4. AMENDMENT IN PREVENTION OF CORRUPTION ACT WILL ENCOURAGE BONAFIDE DECISION MAKING: SBI CHAIRMAN RAJNISH KUMAR
5. KARUR VYSYA BANK Q1 NET FALLS TO ₹46 CR ON HIGHER PROVISIONING

Business Standard

1. Non PCA State-run banks to retain loan market share at 51% medium term

The RBI started this punitive action these bank's bad loans ballooned to high double-digit levels

Press Trust of India

The state-run banks which are not under the prompt corrective action (PCA) framework are expected to maintain their loan market share at 50-51 per cent in the near future, while the overall credit growth is likely to be 8-9.5 per cent in the next two years, says a report.

"Loan market share of public sector banks which are not under the PCA are expected to be maintained at 50-51 per cent while private sector banks are expected to increase it from 30.9 per cent in March 2018 to 38-40 per cent in the foreseeable future and stabilize at that levels," Icra said in a report today.

The Reserve Bank has since end-FY17 been tagging badly performing state-run banks under the PCA framework and so far as many as 11 of them are under this. Being under the PCA means such banks cannot engage in fresh corporate lending and can mostly perform deposits and recoveries only.

The RBI started this punitive action these bank's bad loans ballooned to high double-digit levels.

The report said with the expected resolution under the bankruptcy code, the asset quality for all state-run banks is expected to improve over next couple of years.

Improvement in recoveries and capital infusion may help them come out of the PCA framework and stabilize their market share, though at lower levels of 9-12 per cent.

Depending on capital position, state-run banks under PCA may start posing competition for private sector banks from FY21 onwards restricting the market share gain by the latter.

Icra's financial sector ratings head Anil Gupta said despite being faced with lingering asset quality concerns, dwindling profitability and capital constraints, the state-run banks not under the PCA managed to hold on to their loan market share at around 50-51 per cent for the past two years.

Private sector ones were able to gain market share in advances to 30.9 per cent as of March 2018 from 25.8 per cent as of June 2016 primarily at the expense of the NPA laden state-owned banks whose market share declined to 18.6 per cent from 23.3 per cent during this period.

Unlike the gain in loan market share, private banks were unable to gain significant market share in deposits given the strong deposit franchise of the government-owned banks

Within state-run banks, non-PCA ones held on to their market share at 52-53 per cent, however, deposit market share of PCA ones declined to 21.9 per cent as of March 2018 from 25.1 per cent as of June 2016.

2. Canara Bank reports 12% rise in Q1 net profit on higher interest income

Gross bad loans as a percentage of total loans was 11.05 per cent at end-June, lower than 11.84 per cent three months earlier

Reuters

State-run Canara Bank Ltd reported a surprise 11.9 per cent rise in first-quarter net profit on higher interest income while its bad-loan provisions increased slightly.

Net profit was Rs 2.81 billion (\$40.9 million) for the three months ended June 30, compared with Rs 2.52 billion a year ago, the bank said in a statement

Eight analysts on average had expected a loss of Rs 10.96 billion, according to Thomson Reuters.

Gross bad loans as a percentage of total loans was 11.05 per cent at end-June, lower than 11.84 per cent three months earlier, but still higher than 10.56 per cent a year ago.

The bank reported mark-to-market losses of Rs 1.51 billion in the quarter as it opted to spread bond losses over four quarters as allowed by the central bank.

The remaining losses of Rs 4.53 billion will be distributed over the next three quarters, Canara Bank said.

Financial Express

3. NPA issue: Banks to acquire lands, unfinished projects to recover \$20 billion in real estate bad loans

Lenders may be running short of options though. India's central bank issued a directive in February forcing them to restructure loans quickly or take defaulters to bankruptcy court

By: Bloomberg |

Indian lenders struggling to recoup loans worth about \$20 billion to troubled property developers have to contend with another challenge: A lackluster recovery from the worst home-sales slump this decade. To recover the dues, banks are taking control of land parcels and unfinished projects that can be sold along with loans.

This comes at a time when home sales volumes have declined about 40 percent over four years and prices have dropped as much as 20 percent on average, said S. Srinivasan, managing director of Kotak Investment Advisors, which oversees the alternate assets business of parent Kotak Mahindra Bank Ltd.

"Weaker hands are going out of business in realty and lenders are working on recovering \$20 billion worth of stressed loans to developers," said Srinivasan, who has been bidding to buy properties that banks are putting on the block. "All those land banks, which developers used to tout as a valuation booster, are turning into bank lands now," and creditors will have to take haircuts while selling the collateral.

Developers, including Jaypee Infratech Ltd. and Unitech Ltd., have been taken before India's courts by irate homeowners and creditors as apartment sales slumped in the once red-hot South Asian market following the triple whammy of a surprise cash ban, tax reforms and a consumer-protection law for the sector. Last year, home sales plunged to a seven-year low and prices in some of India's biggest cities tumbled.

There is an oversupply of land parcels in the market, weighing down on pricing, as banks push to recover loans, according to India bulls Asset Reconstruction Company Ltd. The Mumbai-based bad loan buyer has already purchased stressed realty assets worth 4 billion rupees (\$58 million) and is examining another three buyouts, said Kiran Shingwekar, chief executive officer of IARCL.

"Banks have limited head room and expertise in bringing a stressed realty project back on track and hence it makes sense for them to sell down the loans and assets to firms specializing in the segment," he said. "Their lack of willingness to take steep haircuts has been delaying some of these deals."

Lenders may be running short of options though. India's central bank issued a directive in February forcing them to restructure loans quickly or take defaulters to bankruptcy court. The 180-day deadline to recast stressed debt — replacing myriad schemes that could drag on indefinitely — is expected to trigger a bout of deals.

Loan Exposure

Outstanding loans from banks to realty developers have been little changed at about 1.8 trillion rupees for the two years through May, according to data from the central bank. In addition, non-banking finance companies have an exposure of 2.2 trillion rupees to the sector till December, according to an Ambit Capital report published in April.

Lenders including banks and finance companies operate at the highest-risk end of the realty market, providing financing for land acquisition or construction, Srinivasan said. "This \$20 billion stress is just at banks. We don't even know what level of non-performing loans is there in non-finance companies' books since their recognition norms are more relaxed and bad loans are not really coming out," he said. "The day of reckoning is not far."

Economic Times

4. Amendment in Prevention of Corruption Act will encourage bonafide decision making: SBI chairman Rajnish Kumar

By Sangita Mehta

Bankers hobbled by the fear of investigative agencies foisting cases even where bonafide decisions go wrong, are a relieved lot with both the houses of Parliament passing amendments to the Prevention of Corruption Act that provides a shield against random arrests by the police.

The changes that law makers approved make it mandatory for police to seek the permission from a relevant authority before initiating prosecution against government officials, including bankers. Further, a case has to be closed within four years which puts an end to the endless agony that officers suffer with the case going neither way. There have been instances where cases have dragged on for more than a decade.

"It will have a very positive impact on decision making among lenders," said Rajnish Kumar, Chairman of State Bank of India. "It will encourage bonafide decision making. In the recent weeks, there was a very cautious approach not just among banks but also among public servants. And that would change with the amendment in the Act."

Decision making in state-run banks has come to a near halt with the Central Bureau of Investigation charging many bankers for alleged corruption. A number of bankers from IDBI Bank were charged for wrong doing in loans to Kingfisher Airlines. Also, Pune branch of Maharashtra police had recently arrested Bank of Maharashtra CEO Ravindra Marathe in connection with loans to real estate firm DS Kulkarni Group.

So much so that Union Cabinet Minister Arun Jaitley at a recent conference said that there was an immediate need to amend the Act.

“My view is that we are in a period of time when we are criminalising all defaults,” said Amit Tandon, founder and managing director at Institutional Investor Advisory Services (IiAS). “Just because a borrower defaults does not mean that bankers who have given those loans are criminals. So, any step that mitigates this problem is a welcome move.”

This should help bankers take decision on loans.

The amendment has redefined criminal misconduct as misappropriation of property, and possession of disproportionate assets. In effect, a person cannot be arrested on grounds that there have been abuse of position or disregard of public interest.

The contentious Section 19 of the old Act now stands amended saying criminal misconduct means “intentional illicit enrichment” and possession of “disproportionate assets” —essentially makes 'mens rea' (presence of intention and enrichment) an essential prerequisite to prove corruption.

Given the wide powers used by police the benefits of these amendments would depend on how it is used.

“While it may be a good move, how people on the ground implement and interpret this legislation will hold the key to serving the purpose for which the Act was amended. If it does not changing the behavior of the economic regulators and the judiciary - that of criminalizing all defaults, then its purpose is not being served,” added Amit Tandon.

The arrest of Ravindra Marathe, the MD of Bank of Maharashtra, by local police for a company's inability to pay deposit holders created uproar among lenders.

“The unfortunate event that happened recently is unlikely to get repeated since a prior approval is taken from the government. It would reduce fear of taking decisions,” said Anil Gupta, Vice President - Financial Sector Ratings at ICRA.

Former bankers’ chiefs who have been named in charge sheet by investigative agencies include A C Mahajan, S Raman, R K Dubey, all former CMDs of Canara Bank; M S Raghavan, Yogesh Agarwal and Kishor Kharat, all former chiefs of IDBI Bank and Usha Ananth Subramanian of Allahabad Bank.

“In the hindsight, a loan that turns bad can always be questioned, but if the banker would have taken a decision based on correct commercial sense, and he may not have assets beyond his income, this means that the decision was chiefly influenced by commercial reasons,” said of Icra.

Business Line

5. Karur Vysya Bank Q1 net falls to ₹46 cr on higher provisioning

OUR BUREAU

A sharp jump in provisions, especially towards bad loans, dragged Karur Vysya Bank’s first quarter net profit down to ₹46 crore against ₹148 crore in the year-ago period.

Net interest income (difference between interest earned and interest expended) increased by 9 per cent to ₹584 crore (₹538 crore in the year-ago quarter). Other income rose 8 per cent to ₹255 crore (₹236 crore).

Net interest margin declined to 3.65 per cent in the reporting quarter against 3.76 per cent in the year-ago quarter.

Provisions towards bad loans jumped 65 per cent to ₹378 crore in the reporting quarter against ₹229 crore in the year-ago period.

During the reporting quarter, gross non-performing assets (GNPAs) increased by ₹548 crore to stand at ₹3,563 crore as of June-end 2018. GNPAs rose to 7.44 per cent of gross advances against 6.56 per cent in the preceding quarter.

As of June-end 2018, total deposits increased 5 per cent year-on-year to ₹57,554 crore. Low-cost CASA (current account, savings account) deposits improved to 30 per cent of the total deposits against 29 per cent in the year-ago quarter.

As of June-end 2018, gross advances were up 13 per cent year-on-year to ₹47,886 crore on the back of healthy growth in retail and commercial advances.

Capital adequacy ratio declined to 14.08 per cent as of June-end 2018 against 14.43 per cent as of March-end 2018.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY

