



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION

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Dear Comrades,

6th June , 2018

News of Interest 6nd JUN

MOTIVATIONAL QUOTES

“CHANGE YOUR LIFE TODAY. DON'T GAMBLE ON THE FUTURE, ACT NOW, WITHOUT DELAY. “

SIMONE DE BEAUVOIR

HIGHLIGHTS

1. STATE BANK OF INDIA TO OFFLOAD NPAS WORTH OVER RS 13 BILLION
2. TURNAROUND KING: IDBI BANK'S M K JAIN NAMED NEW RBI DEPUTY GOVERNOR
3. LOAN WRITE-OFFS: IN FY18, 10 BANKS TOOK RS 1 LAKH CRORE HIT
4. BANDHAN BANK APPOINTS FORMER RBI DEPUTY GOVERNOR H R KHAN AS CHAIRMAN
5. BANK LOANS WORTH □5-LAKH CR TURNED INTO NPAS IN FY18: CRISIL
6. IIFL SUBSIDIARY BUYS 4% STAKE IN LAKSHMI VILAS BANK AT RS 106 CR

Business Standard

1. State Bank of India to offload NPAs worth over Rs 13 billion

According to information document placed on SBI website, Ankit Metals and Power with an exposure of around Rs 6.9 billion, is the largest among them

Abhijit Lele

Continuing with efforts to clean up its balance sheet, the country's largest lender, State Bank of India, has put on sale non-performing assets (NPAs) worth over Rs 13 billion. Banks intend to sale these bad loans, covering sectors such as steel and textile on a 100 per cent basis.

There are 12 corporate accounts from branches in Chandigarh, Kolkata and Hyderabad.

According to information document placed on SBI website, Ankit Metals and Power with an exposure of around Rs 6.9 billion, is the largest among them.

SBI executives said this was the second auction in the current financial year. Only asset reconstruction companies (ARCs), banks, finance companies and financial institutions can participate in the auction.

The first auction held in April 2018 was for NPAs worth Rs 8.48 billion.

The bank is offloading homes, office spaces and factories, kept as collateral for various loans, through a separate process. There is also an option for cash-cum issuance of security receipts (SRs) for the sale of these assets.

The sale on cash-cum security receipts basis will be governed by following rules. The management fee would be 1.50 per cent per annum of net asset value (NAV) at the lower end of the range of the NAV specified by the credit rating agency for first 3 years.

The management fee would be reduced later — 1.25 per cent for the fourth and fifth year, and 0.75 cent for the sixth year onward.

The excess recovery after redemption of security receipts i.e. upside, if any, will be shared by the holders of security receipts and the asset reconstruction companies on 80:20 basis.

Gross NPA ratio (gross NPA as a percentage of advances) for the quarter ended March 2018 was at 10.91 per cent, against 6.90 per cent a year ago, and 10.35 per cent in the third quarter ended December 2017.

2. Turnaround king: IDBI Bank's M K Jain named new RBI deputy governor

He is expected to be put in charge of banking supervision, among other duties

Anup Roy & Somesh Jha

IDBI Bank managing director M K Jain will be the fourth deputy governor of the Reserve Bank of India, filling the vacancy after S S Mundra retired on July 31 last year. His term is three years.

He is expected to be put in charge of banking supervision, among other duties. In which case, he will have his hands full. The Basel-III norms took effect on May 17 and Jain will have to lead banks in implementation on the new requirements on liquidity. In the medium to long term, he will have to grapple with bad debts of the banking system and guide on corrective action. Transmission of rate changes by RBI is another policy challenge.

Jain is also expected to be a communication bridge between governor Urjit Patel and bankers on various issues, most importantly on the bankruptcy code and the stricter Non-Performing Asset (NPA) recognition norms RBI

instituted on February 12. Under these, even a day's default could lead a company to bankruptcy proceedings.

Jain has a little over 30 years of experience as a banker and was managing director and chief executive of government-owned IDBI Bank since March 2017. He was previously heading Indian Bank, for two years. A deputy governor gets a fixed salary of Rs 2.25 lakh a month, plus allowances.

Analysts say Jain is known as a person with out-of-box ideas.

He is also considered a 'turnaround king' for the way he proceeded to clean Chennai-based Indian Bank's bad debt. He reportedly disposed of Rs 30 billion worth of bad debt to asset reconstruction companies in no more than a couple of meetings.

"He dictated his terms, and made an offer that was fair to all parties, and left very little scope for negotiation. He made Indian Bank relatively healthy and that is why he was brought to IDBI Bank," said an analyst, aware of his negotiation style.

Generally, the appointments are for three years, after which the government decides on renewal if the incumbent has not reached the retirement age of 62. Jain, aged 55, qualifies for reappointment on that front when his three years end.

Jain has also served on the boards of Exim Bank and National Institute of Bank Management. He has also been a part of several committees in the banking sector, including as a secretary to the Basant Seth committee on review and revamp of the audit system in public sector banks (PSBs). And, as a member on a government-constituted committee on public interest litigation related to NPAs. He also played a role in redesigning the annual performance appraisal reports at PSBs.

The finance ministry had 37 applications for the post. Under the RBI Act, the central bank should have four deputy governors — two from within the ranks, one commercial banker and one economist.

Beside Jain, UCO Bank executive director Charan Singh and State Bank of India managing directors B Sriram and P K Gupta were among contenders for the post. Some bureaucrats had also applied and were interviewed. K P Krishnan, secretary, skill development and entrepreneurship; Yaduvendra Mathur additional secretary, NITI Aayog, and T V Somanathan, a principal secretary in Tamil Nadu, were among the shortlisted candidates in the bureaucracy.

Financial Express

3. Loan Write-Offs: In FY18, 10 banks took Rs 1 lakh crore hit

While banks have made provisions for these assets, in keeping with the Reserve Bank of India's rules, they may need to written off some of the loan amount

By: [Shayan Ghosh](#)

At a time when capital is scarce, a clutch of 10 banks has written off loans worth Rs 1 lakh crore in 2017-18. That's 50% higher than the write-offs that

these banks took in the previous financial year, data compiled by FE show. State Bank of India (SBI), which refers to write-offs as advance under collection account (AUCA), wrote off Rs 40,196 crore in 2017-18 as against Rs 20,570 crore in 2016-17.

While it is possible banks may recover some of this money, the write-offs are expected to be sizeable in the current year too. The hits will come following the insolvency proceedings initiated for a dozen large companies to which lenders have a total exposure of Rs 2.4 lakh crore. While banks have made provisions for these assets, in keeping with the Reserve Bank of India's rules, they may need to written off some of the loan amount.

Most of these near-bankrupt companies have found buyers under the Insolvency and Bankruptcy Code (IBC) but the sales would necessitate banks taking haircuts anywhere in the range between 30% and 70%. In the case of Bhushan Steel the haircut has been just about 33% of the admitted claims of Rs 56,000 crore and should UltraTech Cement wins Binani Cement, bankers would get back almost 90% of their dues. However in the case of Electrosteel Steels, bagged by Vedanta, the hit to banks is a much bigger 60%.

Meanwhile, bids for Essar Steel, which owes lenders Rs 49,000 crore, are understood to have come in at around 38,000 crore. The big loss for banks could come in from the exposure of Rs 45,300 crore to Lanco Infratech, which appears to be headed for liquidation. Again, the best bid for Alok Industries, which owes banks nearly Rs 30,000 crore, is believed to be only Rs 5,000 crore.

There is a another lot of more than two dozen companies against which lenders may initiate insolvency proceedings; the total exposure that banks have to these companies is Rs 1.2 lakh crore. The government announced in October 2017 that it would recapitalise state-owned banks to the tune of Rs 2.11 lakh crore over the next two years. Of this, Rs 80,000 crore worth of bonds have already been issued.

Lenders write off toxic assets once it becomes extremely difficult to recover them. However, these loans are fully provided for and banks are able to recover a part of their dues. Once recovered, the provisions held for these accounts are reversed. These recoveries are clubbed under other income in a bank's profit and loss statement. For instance, SBI recovered Rs 5,333 crore from such accounts in FY18, up 35%. Another large public sector lender, Bank of India, could recover Rs 407 crore in FY18 from written-off accounts.

In February 2016, the Reserve Bank of India (RBI) had said that writing off non-performing assets is a regular exercise conducted by banks to clean up their balance sheets. "Substantial portion of this write-off is, however, technical in nature. It is primarily intended at cleansing the balance sheet and achieving taxation efficiency," the central bank had said

According to the central bank, in 'technically written off' accounts, loans are written off from the books at the head office, without forgoing the right to recovery. Citing a reply in the Rajya Sabha, news agencies reported in April, public sector banks wrote off Rs 2.42 lakh crore worth of loans between April 2014 and September 2017.

Economic Times

4. Bandhan Bank appoints former RBI deputy governor H R Khan as chairman

PTI|

Bandhan Bank today said its board has appointed H R Khan, a former RBI deputy governor, as non-executive chairman.

The board of directors of the bank at its meeting held today appointed Harun Rasid Khan as the non-executive, part time chairman of the bank, Bandhan Bank said in a filing to BSE.

Khan's appointment will be for a period of three years with effect from June 5, 2018 or till the expiry of his term as an independent director whichever is earlier, the bank said in a regulatory filing.

Khan will be the independent director of the bank at a remuneration of Rs 24 lakh per annum subject to RBI and other approvals.

In addition, Khan will be entitled for sitting fee, and other expenses such as expenses related to travelling, accommodation for attending company meetings.

Khan retired as the deputy governor of RBI in July 2016 after nearly 38 years of service.

Besides, the bank said that the Board of Directors at its meeting held today have appointed Pravir Kumar Vohra as an Additional Director (Category being Independent, Non - Executive) of the Bank for a period of three years with effect from June 5, 2018.

Business Line

5. Bank loans worth ₹5-lakh cr turned into NPAs in FY18: Crisil

OUR BUREAU

But rating agency expects moderation in slippages, better recoveries from NPAs

As much as ₹5-lakh crore of bank loans deteriorated into the non-performing asset (NPA) category in fiscal 2018, according to credit rating agency Crisil.

But the tide seems to be turning, given the sharp reduction in SMA (special mention account)-2 cases and better NPA recovery prospects, it added. An SMA-2 account is a stressed account where the principal or interest payment or any other amount, wholly or partly, is overdue between 61 and 90 days.

Crisil said the total slippages in the past three fiscals amounted to ₹13.6-lakh crore.

It assessed that about a fifth of the slippages last fiscal (FY2018) was due to the withdrawal of various structuring schemes by the RBI in February 2018 after the Insolvency and Bankruptcy Code (IBC) process came into force.

As a result, gross NPAs increased to about ₹10.3-lakh crore, or about 11.2 per cent of advances, as on March 31, 2018, compared with ₹8-lakh crore, or about 9.5 per cent of advances, as on March 31, 2017.

Moderation in slippages

Underscoring that the tide is slowly turning, Crisil said it expects a moderation in slippages, better recoveries from NPAs, and improved provision coverage to bode well for banks.

For example, SMA-2 accounts have more than halved to 0.8 per cent of advances as of last fiscal-end, compared with 2 per cent a year earlier, indicating a considerable reduction in stressed loans that can regress into NPAs.

Crisil Senior Director Krishnan Sitaraman said: "Further, prospects of recovery from stressed accounts referred to the National Company Law Tribunal (NCLT) are improving. More than a quarter of the ₹3.3-lakh crore worth of cases referred to NCLT for resolution are from the steel sector, which has seen heightened bidding interest due to improving prospects for the sector."

Consequently, Crisil expects gross NPAs in the banking system to peak at around 11.5 per cent this fiscal and then start reducing.

Banking system losses

Last fiscal, the banking system reported a net loss of ₹40,000 crore because of the sharp rise in NPAs and the resulting increase in provisioning costs.

PSBs bore the brunt of this; their provisioning costs were nearly twice the pre-provisioning operating profits; this resulted in a net loss of about ₹85,000 crore.

Crisil Director Rama Patel said: "The banking system's provisioning cover (excluding write-offs) for NPAs increased to 50 per cent as on March 31, 2018, against 45 per cent a year ago; this is expected to improve this fiscal."

However, the agency assessed that higher provisioning and the resultant losses have eroded the ₹1.2-lakh crore of capital raised by PSBs last fiscal, of which ₹90,000 crore was from the government. PSBs depend on the government for capital to meet Basel III norms.

Given the higher-than-expected losses last fiscal, probable loss in the current fiscal, and recall of the Additional Tier 1 instruments by a few PSBs, Crisil said the ₹2.1-lakh crore recapitalisation programmes announced in October 2017 may be insufficient to meet the capital requirements of PSBs by this fiscal-end.

India Today

6. IIFL subsidiary buys 4% stake in Lakshmi Vilas Bank at Rs 106 cr

New Delhi, Jun 5 (PTI) IIFL subsidiary India Infoline Investment Services today picked up over 4 per cent stake in private sector player Lakshmi Vilas Bank for Rs 106 crore, through an open market transaction.

According to the bulk deal data available with BSE, India Info line Investment Services purchased 1.06 crore shares, amounting to 4.13 per cent stake, in Lakshmi Vilas Bank.

The shares were bought at a price of Rs 100.1 apiece, valuing the transaction at Rs 105.93 crore, the data showed.

Among the sellers of the shares was M N Dastur and Company.

Lakshmi Vilas Bank stock settled 4.91 per cent higher on BSE at Rs 111.20
PTI VRN ANS

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY