



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

27th June , 2018

News of Interest 27th JUN

MOTIVATIONAL QUOTES

MUSIC IS THE DIVINE WAY TO TELL BEAUTIFUL, POETIC THINGS TO THE HEART.

PABLO CASALS

HIGHLIGHTS

1. GROSS NPA RATIO OF BANKS LIKELY TO WORSEN BY 12%, SAYS RBI REPORT
2. FORTIS Q4 LOSS WIDENS TO RS 9.32 BN ON IMPAIRMENT CHARGES AMID BIDDING WAR
3. FACING NPA HEAT, KARUR VYSYA BANK AND LAKSHMI VILAS BANK PLAN TO RAISE CAPITAL
4. RBI DY GOVERNOR MAHESH KUMAR JAIN: A TURNAROUND BANKER AT MINT STREET
5. 'INDIAN BANKS IN A RECOVERY PHASE'

Business Standard

1. Gross NPA ratio of banks likely to worsen by 12%, says RBI report

The report further said profitability of all commercial banks declined, partly reflecting increased provisioning

[Press Trust of India](#)

Painting a gloomy picture of the banking sector, the RBI on Tuesday said Gross NPA ratio of banks is likely to rise from 11.6 per cent in March 2018 to 12.2 per cent by the end of the current financial year ratio.

In its Financial Stability Report (FSR), the RBI said stress in the banking sector continues as gross non-performing advances (GNPA) ratio rises further.

"Macro-stress tests indicate that under the baseline scenario of current macroeconomic outlook, SCBs' (scheduled commercial banks) GNPA ratio may rise from 11.6 per cent in March 2018 to 12.2 per cent by March 2019," it said.

Referring to the 11 state-owned banks under prompt corrective action framework (PCA), the RBI said they may experience worsening of their GNPA ratio from 21 per cent in March 2018 to 22.3 per cent by this financial year-end.

Of the 11 banks, six are likely to experience capital shortfall relative to the required minimum CRAR (Risk-weighted Assets Ratio) of 9 per cent.

The 11 banks under PCA framework or RBI watchlist of their high bad loans are - IDBI Bank, UCO Bank, Central Bank of India, Bank of India, Indian Overseas Bank, Dena Bank, Oriental Bank of Commerce, Bank of Maharashtra, United Bank of India, Corporation Bank and Allahabad Bank.

The report further said profitability of all commercial banks declined, partly reflecting increased provisioning.

However, it added that credit growth picked up during 2017-18 notwithstanding sluggish deposit growth.

2. Fortis Q4 loss widens to Rs 9.32 bn on impairment charges amid bidding war

Net loss for the year-ago quarter was Rs 638 million

Reuters

Fortis Healthcare Ltd, which is embroiled in a takeover battle that has drawn international bidders, on Wednesday said loss for the March quarter ballooned to Rs 9.32 billion (\$136.3 million) hurt by impairment charges.

Fortis, which delayed reporting results for the quarter as it completed an internal probe, said the goodwill impairment charges and write-offs were related to inter-corporate deposits and advances.

Net loss for the year-ago quarter was Rs 638 million.

Fortis detailed the findings of its internal investigation and said it was in the process of taking "suitable legal measures" against former Executive Chairman Malvinder Singh to recover payments and company assets held by him.

Fortis has become the target of a bidding war by suitors seeking to get a share of a boom in India's private healthcare market. Its board is looking at bids from parties including Malaysia's IHH Healthcare Bhd and a consortium of Manipal Health Enterprises and private equity firm TPG Capital.

Despite the significant interest, no suitor has gone all out on the offer price mainly due to regulatory investigations into allegations that Fortis'

founders, Malvinder Singh and Shivinder Singh, siphoned off funds from the company. They quit as directors in February but have denied any wrongdoing.

Fortis said it will appoint an external agency to investigate its internal controls and also evaluate its organisational structure, including the delegation of powers of the board.

Financial Express

3. Facing NPA heat, Karur Vysya Bank and Lakshmi Vilas Bank plan to raise capital

Hit by growing bad assets, two private sector lenders from southern India — Karur Vysya Bank (KVB) and Lakshmi Vilas Bank (LVB) — on Tuesday announced their plans to raise capital

By: Sajan C Kumar

Hit by growing bad assets, two private sector lenders from southern India — Karur Vysya Bank (KVB) and Lakshmi Vilas Bank (LVB) — on Tuesday announced their plans to raise capital.

Both the banks, in the genre of old private sector banks, had suffered bottom-line squeeze in Q4 of FY 2018.

KVB had reported a 76.76% drop in its net profit at Rs 50.56 crore for the fourth quarter as compared to Rs 217.56 crore in the corresponding quarter previous fiscal, courtesy increased provisioning towards sticky assets.

The bank's asset quality has taken a beating in the fourth quarter with gross NPA touching 6.56% as compared to 3.58% in the same quarter last fiscal. Similarly, net NPA was at 4.16% as compared to 2.53%. Provisions for bad loans increased by 81% year-on-year to Rs 394.17 crore in Q4 of FY18 as against Rs 217.50 crore in the corresponding quarter last fiscal.

LVB had reported a net loss of Rs 622.25 crore for the fourth quarter of FY 18 as against a net profit of Rs 52.16 crore in the same quarter last fiscal. Total income of the bank was decreased by 14.34% at Rs 740.90 crore as compared to Rs 864.99 crore. Gross NPA of the bank zoomed to 9.98% as compared to 2.67% while net NPA increased to 5.66% from 1.76%. Provisions for bad loans jumped to Rs 921.41 crore for the quarter as against Rs 108.19 crore in the corresponding quarter last fiscal. The board of directors of KVB on Monday approved the proposal for domestic fund raising to the tune of Rs 1,200 crore by way of issuance of Basel III compliant unsecured tier I or tier II capital instruments in single or multiple tranches either through private placement basis or preferential allotment of shares. The bank is also looking at qualified institutional placement (QIP) option. Besides, the board of KVB has decided to issue bonus shares in the ratio of 1: 10, that is, one equity share of Rs 2 each for every ten fully paid up equity shares.

"The proposal of issuance of bonus shares was not part of the original agenda, and was decided during the course of the meeting," KVB told the stock exchanges in a regulatory filing.

Economic Times

4. RBI Dy Governor Mahesh Kumar Jain: A turnaround banker at mint street

By Sangita Mehta

For someone who grew up in a village of less than 300 people at the snowy slopes of the Himalayas, a metropolitan city is just a hell on earth. No wonder that within three weeks the young lad who had come to take up chartered accountancy decided that selling cardboard boxes back home was a better way of eking out a living than sweating it out on the dusty streets of New Delhi. But destiny had something else in store.

For the next three years, he would be directing the supervision of a key link in the Indian economy – banking – as a deputy governor of the Reserve Bank of India. Not only that, Prime Minister Narendra Modi's pet project – financial inclusion, co-operative banks awaiting transformation would also be under the watchful eye of a banker who has earned the sobriquet of a 'turnaround banker'. That is Mahesh Kumar Jain.

The 57-year-old Jain's journey to the 19th floor of the RBI's headquarters on Mint Street has been more exciting and challenging than what it is for a normal state-run banker.

In the pre-Google or satellite television days, growing up in the hills would hardly expose anyone to management theories or provide enough tools to hone skills on how to attend interviews. Jain was no exception and his interview for a probationary officer's job at Punjab National Bank was both a shock and a revelation.

"When I went for an interview for an opening at PNBNSE -1.38 %, they asked me 'where you would like to see yourself in five years.' Since I didn't have any clue about how banks work, I said 'I would like to be the CEO of bank', and they laughed," Jain had told ET a few weeks back.

Born into a family of six in Kohana, a small village in the Kangra district of Himachal Pradesh, his family doctor in the village fascinated him, so he wanted to take up medicine as a profession. His persistence resulted in the doctor allowing him to visit his clinic everyday after school hours.

As days went by, Jain mastered the art of administering injections to patients and also learnt the art of putting stitches. The quick grasp and enthusiasm of the boy led the doctor to let him help even at the operation table. Unfortunately, the dream of becoming a doctor did not go beyond that.

With little facilities to pursue medicine, the next novel option on the table was commerce, when the local college began offering that course. While it was no substitute for a degree in medicine, it secured him a bank job, considered then a lucrative career option before technology and private financial services overtook.

Jain served at four banks in a career spanning 32 years. After starting at Punjab National Bank, he moved to Syndicate BankNSE -4.34 % as an assistant general manager. Success didn't come on a platter. His selection to the post of Indian Bank's executive director came only in his second attempt. The bank turned around and that brought him kudos.

It is one of the handful of state-run banks that has escaped the RBI's Prompt Corrective Action (PCA). His success in turning around Indian Bank made him the government's top choice to head the troubled IDBI Bank.

The turning point in his life came when he was asked to move to Delhi for six months, while he was still a branch manager in his home state. At that point of time, PNB appointed consulting firm BCG to start risk management services and he was among the four persons identified to start risk management in the bank.

"I told them if late sitting is the criteria for efficiency, then I am inefficient, but if quality of work is the criteria, then give me the heaviest work and still I will leave by 5.30," said Jain in response to complaints received that he left early to pursue a course in financial risk management.

Unlike many former bankers who had the first taste of framing regulations after entering Mint Street, Jain is no greenhorn. He played a key role in finalising the Basel capital implementation plan as he was involved in many a discussions during those days.

"We (at PNB) developed a rating model in 2000 and S&P said that ours was the best rating model," he had told ET.

While it may have earned a feather in his cap, he is grateful to a great banking mind that not many are familiar with these days – Basant Seth, former CMD of Syndicate Bank.

"I worked with him for 2.5 years, but I gained 10 years of experience," he said. Seth involved him in all critical areas such as fund raising, preparing statement of intent, risk-based supervision and exposure to the banking sector, preparing balance sheet, and so on.

But for Jain to spend time in office and in studies to get CFA, MBA and FRM degrees, the other half of life had to be calm and required a better manager. His two kids were tutored and brought up by his gold medal winning wife, who sacrificed a lecturer's job to bring up the family.

Whether an eight-hour work day or an 18-hour work day, one thing is clear for this banker, whose kids call him a 'gambler' for his penchant for playing cards, to not carry any work to home.

"I never take work to home," he had said. "But you will never find any files on my desk. I take decisions very fast." He enjoys holidays as much as his work.

"We would play old songs and simultaneously play cards all day. My kids would say my parents are juari (gamblers)," he added. Every three or four months, he packs off to the Himalayas to breathe fresh air and relive his childhood.

His biggest regret is not spending time with his mother during her last days after suffering a paralytic stroke.

The mantra which has brought him to this position and the one he believes would last him forever is: efficiency.

"Productivity is more important than the time spent on studies. Consistent and regular study is needed for success." So, the folks at RBI know what they should be prepared for!

Business Line

5. 'Indian banks in a recovery phase'

OUR BUREAU

The Indian banking sector is already on the path of recovery, said Shyam Srinivasan, CMD, Federal Bank, at a discussion, 'Banks: From the Brink', organised by the Chennai International Centre.

"The recognition phase (identification of non-performing assets) is over and we are currently in resolution and recovery phase, which will take another 2 or 3 years' time," said Srinivasan.

Digital at the fore and humans at the core should be our theme, said Srinivasan, and added that 30 per cent of the current workforce in banking is due for retirement in the next 2 or 3 years, and a whole lot of younger people, who are good at technology, will take over these positions, which will add more value to the system.

"This is a temporary phase and we (banks) can resurrect ourselves to become a robust banking system in the world," said TN Manoharan, Executive Chairman, Canara Bank, referring to the current crisis in the banking sector, which is battered by huge NPAs and a spate of bank-related scams.

Unlike India, no other major countries obligate their commercial banks to lend for infrastructure projects which have a long gestation period, said Manoharan.

On RBI's February circular (on asset classification), Manoharan said, prior to the circular, 19 out of 21 Public Sector Banks (PSB) recorded profits for the first three quarters, but thereafter witnessed reversals. "Change of rules can change the quality of asset that you are dealing with," Manoharan added.

IBC

"The Insolvency and Bankruptcy Code (IBC) is only an enabler, but if the underlying business model is not good, then it cannot succeed," said Srinivasan. "Liquidation is the last resort, resolution is the first step and IBC provides us with both the options," said Manoharan, and added that banks are also taking measures such as 'stressed asset management' and other mechanisms to deal with this issue. Manoharan also said that suggestions were made to the Finance Ministry to classify banks into three categories: Universal bank, national retail bank and regional retail bank. While the universal bank will engage in all types of activities, including corporate lending, the national and regional retails banks will focus only on retail lending in their respective scales.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY