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Dear Comrades,

5th May, 2018

**News of Interest 5th MAY**

## **MOTIVATIONAL QUOTES**

'YOUR OWN MIND IS A SACRED ENCLOSURE INTO WHICH NOTHING HARMFUL CAN ENTER EXCEPT BY YOUR PERMISSION.'

ARNOLD BENNETT  
**HIGHLIGHTS**

- 1. BANKS' PUSH FOR NPA RECOGNITION TO HURT NEAR-TERM PROFITABILITY: MOODY'S**
- 2. RIDING TREND: AXIS BANK RAISES RATES ON RETAIL FIXED DEPOSITS**
- 3. BOM PLANS TO RAISE RS3K CRORE, NARROWS Q4 LOSS TO RS 113 CRORE**
- 4. RBI TO BANKS: SHARE FOREIGN EXCHANGE DATA WITH DRI**
- 5. HARVARD: INDIA WILL BE WORLD'S FASTEST GROWING ECONOMY IN COMING DECADE**

### **Business Standard**

#### **1. Banks' push for NPA recognition to hurt near-term profitability: Moody's**

The Reserve Bank of India's (RBI) rules are credit positive because they provide a clearer

[Press Trust of India](#)

Moody's Investors Service on Wednesday said that the final stage of a multi-year initiative by RBI to push banks to recognise problem assets more accurately will reduce profitability for the sector in the near term, but produce benefits over the longer term.

While this push will increase the already-high non-performing assets (NPAs) ratios and provisioning burdens for India's banks, and strain their

profitability in the near term, cleaner balance sheets in the long run will be credit positive for the sector, Moody's said in a statement.

The Reserve Bank of India's (RBI) rules are credit positive because they provide a clearer, time-bound process for resolving stressed assets and will prevent a future buildup of problem loans in the system, it said.

"Also, we have already been taking into account the system's restructured assets, not just non-performing loans (NPLs), when assessing the banks' credit profiles. So shifts in the composition of the broader asset pool will not have much bearing on our assessment of the banks' asset quality," it said.

Under the new rules for bad debt resolution that the RBI implemented in March 2018, banks can no longer resort to various loan restructuring schemes to delay the recognition of NPAs.

Although banks have recognised many loans as NPAs following an extensive inspection of loan books by the RBI in 2015, they still hold large volumes of restructured loans, a large share of which will become NPAs in the coming quarters, it said.

As banks reclassify these assets, it said, NPA ratios will gradually rise, but once this process is complete, they will stabilise and eventually decline substantially.

Increased provisioning will hurt the banks' profitability, and weaker public sector banks in particular will continue to report losses in the next fiscal year, adding pressure on their capital ratios, it said.

Nevertheless, the near-term impact of this profitability deterioration on their credit profiles will be largely offset by planned capital infusions from the government, it added.

## **Financial Express**

### **2. Riding trend: Axis Bank raises rates on retail fixed deposits**

FDs maturing between one year and 14 months will yield 7.1%, 35 basis points higher than earlier

By: [FE Bureau](#)

FDs maturing between one year and 14 months will also yield 7.1%, 35 basis points (bps) higher than earlier. All deposits of under Rs 1 crore with longer maturities will earn 7%. The 14 months to 17 months bucket was earlier priced at 6.75%, while all maturities ranging between 17 months and 10 years earlier yielded 6.9%.

Rates on deposits with maturities of less than a year have been left unchanged.

Last month, HDFC Bank, the country's largest private lender by assets, hiked retail deposit rates by up to 100 bps.

Banks have taken to raising deposit rates in recent months, amid competition from mutual funds and hardening bond yields. Since November 2017, the base effect of demonetisation has also begun to kick in, leading to

deposit growth hitting multi-year lows. Between November 2017 and March 2018, deposits have grown by 3-7% on a fortnightly basis, according to data released by Reserve Bank of India (RBI).

Earlier this year, Axis Bank had also raised the savings rate in some categories. Chief financial officer Jairam Sridharan told analysts that the bank is taking an aggressive approach in acquiring savings accounts. "There is a particular segment in which this (savings rate hike) is not a defence thing, it is playing offence," he said, adding, "This is one segment in which we were seeing and are seeing some opportunities and hence, the move."

### **3. BoM plans to raise Rs3k crore, narrows Q4 loss to Rs 113 crore**

Bank of Maharashtra is planning to raise Rs 3,000 crore capital in FY19, R P Marathe, MD & CEO of BoM, said on Friday

By: Geeta Nair

Bank of Maharashtra (BoM) is planning to raise Rs 3,000 crore capital in FY19, R P Marathe, MD & CEO of BoM, said on Friday. The government had infused Rs 3,263 crore capital last year and BoM had on its own raised Rs 313 crore during October 2017 through the QIP route.

It will be raising more capital this year to fund growth, Marathe said. The bank, which has been placed under the PCA by RBI, reported a reduction in losses during Q4FY18 to Rs 113.51 crore from Rs 455.45 crore in Q4FY17. In the preceding quarter ended December 2017, the loss was at Rs 596.70 crore. "Slippages during Q4 were down to Rs 1,660 crore compared to Rs 3,522 crore during same quarter in FY17," Marathe said.

Gross profit during Q4FY18 went up by 22% to Rs 546.73 crore from Rs 426.09 crore in the same period in FY17.

"The bank is in the process of consolidating its financial position recording an all-round improvement in asset quality, capital adequacy and profitability. Focused approach in increasing income and reduce expenditure has resulted in 547 basis points improvement in cost to income ratio on year on year basis in the March 2018 quarter." Marathe said.

BoM is working on to reduce the share of corporate loans and increase the share of retail, agriculture and MSME loans in its portfolio.

"This year the bank saw its corporate loan share shrink to 56% from 60% which will be brought down to 40%," Marathe said.

Retail advances have grown by 22.24% to Rs 16,547 crore mainly on account of growth in housing loans which was up 26.28% while vehicle loans grew by 8.94%. The share of retail advances in the loan book improved by 3.26 % YoY to 17.48%. In the retail loan segment, BoM is looking at working with NBFCs with agility and reach to expand its own portfolio by sharing risks with the partners.

Net loss of the bank for FY18 stood at Rs 1,145.63 crore against a net loss of Rs 1,372.51 crore in FY17. Net Interest Margin improved to 2.32% in FY18 as compared to 2.16% in FY17.

Cost to income ratio in FY18 declined to 55.24% from 60.98%. Gross NPA stood at Rs 18,433 crore (19.48% of gross advances) and net NPA stood at `9,641 crore (11.24% of net advances) as on March 31, 2018.

The bank's total business grew by 2.13% to `2,33,626.38 crore as on March 31, 2018 with deposits at Rs 1,38,981.18 crore while advances were at `94,645.20 crore. Recovery in FY1 was at `1,765 crore as compared to `810 crore in the last year. Recovery in Written off accounts in FY 2017-18 was `138.48 crore as compared to `37.81 crore in the previous year.

## **Business Line**

### **4. RBI to banks: Share foreign exchange data with DRI**

#### OUR BUREAU

The Reserve Bank of India has asked banks authorised to deal in foreign exchange (Authorised Dealer-I Banks) to share data with the Directorate of Revenue Intelligence (DRI)

This directive comes in the wake of the government making rules (in December 2017) to exercise powers conferred by the relevant sections of the Customs Act, requiring a banking company to furnish, electronically, information relating to foreign exchange transactions made or received by any person to the receiving authority (DRI).

"All AD Category I banks are advised to ensure compliance with the same with immediate effect," the RBI said. DRI is the apex intelligence and investigative agency for matters relating to violation of the Customs Act.

Under the new rules, in the case of inward remittances, the agency can seek information relating to a remittee's name, address, permanent account number (PAN), Goods and Service Tax Identification Number (GSTIN), Aadhaar number, bank account number and Indian Financial System Code (IFSC) as also remitter's details relating to name, address, and SWIFT-BIC (Society for Worldwide Interbank Financial Telecommunication - Bank Identifier Code).

In the case of outward remittances, the agency can seek information relating to a remitter's name, address, PAN, GSTIN, Aadhaar number, bank account number and IFSC as also the remittee's details relating to name, address, and SWIFT-BIC.

### **5. Harvard: India will be world's fastest growing economy in coming decade**

#### PTI

India tops the list of the fastest growing economies in the world for the coming decade and is projected to grow at 7.9 per cent annually, ahead of China and the US, according to a Harvard University report.

The Centre for International Development at Harvard University (CID) said in new growth projections that countries that have diversified their economies into more complex sectors, such as India and Vietnam, are those that will grow the fastest in the coming decade.

"India tops the list as the fastest growing country for the coming decade, at 7.9 per cent annually, in the economic complexity growth projections. India has made inroads in diversifying its export base to include more complex sectors, such as chemicals, vehicles, and certain electronics," the report

said. It said that India's productive capabilities far exceed expectations for its current income level, which contributes to the projection of rapid growth for the coming decade.

The researchers also find India ranks the best on the criteria termed the Complexity Opportunity Index (COI), which measures how easy it is to redeploy existing knowhow to enter new complex products.

"India's existing capabilities have not only diversified its exports, but also allow for easy redeployment into related products that depend on those capabilities, making diversification relatively easy," it said.

China may grow 4.9%

China is projected to grow at 4.9 per cent annually to 2026, the US three per cent and France 3.5 per cent. The top ranking in COI means India has many "unrealised opportunities" to diversify into related, high-value sectors to continue to drive productivity growth and job creation.

"Up to now, that potential remains unrealised, however, as India's complexity has not changed over the past decade. The rapid growth that is predicted is effectively capitalizing on previous gains in complexity," the report added.

It stressed that ensuring the long-run potential of India's economic growth will rely on realizing diversification into related products.

Other challenges

The other major challenge will be to ensure the inclusive nature of this productive transformation, as the gains made in new chemical, vehicle and electronics exports are highly concentrated in specific localities of the subcontinent.

"Whether that knowhow can be disseminated into new areas of India will in part determine whether growth can be sustained in the long-term," it said.

Director of CID, professor at Harvard Kennedy School and the leading researcher of The Atlas of Economic Complexity, Ricardo Hausmann said that South-East Asia continues to dominate the global growth landscape, driven by the diversification of economies into complex manufacturing, but the leading countries have shifted within the region, with the Philippines, Vietnam, Indonesia, and Thailand poised to lead growth in the coming decade.

With kind regards,

Yours Comradely,



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

