



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

163/4, Kutchery Road, Mylapore, Chennai - 600004

E mail i.d: [aiubparf@gmail.com](mailto:aiubparf@gmail.com)/ [ubioatnng@gmail.com](mailto:ubioatnng@gmail.com)/ [suryanarayananram@gmail.com](mailto: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,

24th May, 2018

### News of Interest 24th MAY

#### MOTIVATIONAL QUOTES

JUDGE A MAN BY HIS QUESTIONS RATHER THAN HIS ANSWERS.  
VOLTAIRE

#### HIGHLIGHTS

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1. PUBLIC SECTOR BANKS' LOSSES NEAR RECORD RS 50,000 CRORE IN Q4
  2. BANKRUPTCY RELIEF FOR MSME PROMOTERS
  3. ANDHRA BANK REPORTS RS 2,535-CR STANDALONE NET LOSS IN QUARTER 4
  4. HDFC BANK CLOCKING RS 1,000 CR IN DIGITAL LOAN SALES; LAUNCHES ONLINE LOANS AGAINST MFS
  5. PAYTM BANK TO CREATE 1 LAKH 'MOBILE BANKERS' IN A YEAR

#### Times of India

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#### 1. Public sector banks' losses near record Rs 50,000 crore in Q4

##### Mayur Shetty

Losses of public sector banks (PSBs) for the quarter ended March 2018 are set to hit a record Rs 50,000 crore — more than double the losses of Rs 19,000 crore in the preceding quarter ended December 2017. The huge losses are a fallout of new Reserve Bank of India (RBI) norms scrapping all loan-restructuring schemes and will put pressure on the government to infuse more capital into public sector unit (PSU) lenders than planned earlier.

Of the 15 PSU banks that have announced their results, 13 have reported net losses and only two lenders — Indian Bank and Vijaya Bank — have reported profits. The consolidated earnings of the 15 lenders added up to

losses of Rs 44,241 crore. The overall losses are likely to cross Rs 50,000 crore, considering that several large lenders — including IDBI Bank, Bank of India, Bank of Baroda, United Bank and Indian Overseas Bank — are yet to announce their results. Of all these, only Bank of Baroda had reported a profit in the preceding quarter.

ICRA senior vice-president & group head (financial sector ratings) Karthik Srinivasan said, "Despite recapitalisation, of the 15 PSBs that have declared their results for FY2018, tier-1 capital position reported by five PSBs is closer to minimum regulatory requirement of 7%."

The losses have been largely triggered by higher provisions for bad loans. According to a study by Care chief economist Madan Sabnavis, the ratio of non-performing assets (bad loans) to total loans had been stable in the range of 11-12% for the first three quarters of FY18, but increased sharply to 13.41% in the fourth quarter.

The dilemma for the central government would be reneging on its statement that it will be providing capital to only the well-performing banks. The lenders that are in need of capital are the ones that have a high level of bad loans. For instance, Allahabad Bank has core equity capital of below the statutory requirement of 7%, while four other lenders Punjab National Bank, Central Bank of India, Oriental Bank of Commerce and Andhra Bank are just above 7%

ICRA's Srinivasan said, "Though the banks are likely to emerge with cleaner asset quality, the Rs 650 billion of capital infusion budgeted by the government for FY2019 may well turn out to be inadequate. The ability of the PSBs to meet regulatory capital ratios and, consequently, their credit ratings, will remain highly dependent on them being able to raise capital from the markets. If the banks are unable to raise capital from the markets, the government will be required to augment its share of capital infusion during FY2019."

## **2. Bankruptcy relief for MSME promoters**

Sidhartha

The government on Wednesday proposed to ease curbs on promoters of micro, small and medium enterprises (MSMEs) from bidding during the insolvency process to take over a company, while tightening rules for "related parties" in larger companies.

The Cabinet, which has recommended the promulgation of an ordinance to amend the Insolvency and Bankruptcy Code (IBC), has suggested that promoters of companies with turnover of up to Rs 250 crore will be allowed to bid. The government also plans to insert a clause to provide a debt threshold, which will ensure that those with large stock of loans but low turnover do not misuse the carve-out, sources told TOI.

A committee headed by corporate affairs secretary Injeti Srinivas had made a case for the relaxation, arguing that the business of an MSME attracts interest primarily from a promoter and may not be from other resolution applicants.

With few takers, several businesses would have to go into liquidation, prompting amendments to section 29A of IBC. "The special dispensation for

MSMEs will not only help them turn around, but turnaround faster,” said an official.

Promoters of all companies were barred from bidding as the government feared that they will walk away with the stressed assets at a discount.

Through the ordinance, the government proposes to make it tougher for “related party” of individuals, where the relative of a promoter, who was not part of the group earlier, gets to bid. In the Essar Steel case, Rewant Ruia’s partnership with bidder NuMetal had raised eyebrows as he is the son of Essar Group vice-chairman Ravi Ruia.

At the same time, there is some respite for financial services companies, which can convert a part of their loans into equity and they will not be treated as a ‘related party’. Similarly, exemption is proposed for a resolution applicant or a successful bidder for an ailing company, which acquires a distressed asset with an NPA account for three years.

A proposed key change is to recalibrate the voting threshold for various decisions of the committee of creditors (CoC). The government has said the current voting rights share of 75% of CoC for a decision to go through be reduced to 66% for decisions such as appointment or replacement of resolution professional, approval of a resolution plan, passing a resolution for liquidation and extension of the corporate insolvency resolution process. IBC provides for a resolution within 180 days, with a possibility to extend the deadline to 270 days. But, in several cases such as Jaypee Infratech, the deadline is over and will need to be extended as the Supreme Court has ruled out liquidation as an option, given that around 18,000-20,000 home buyers are yet to get apartments. Further, the ordinance has proposed to facilitate implementation of the resolution plan by the successful bidder. It has provided a year to obtain necessary statutory clearances from central, state and other authorities.

There are some administrative changes to the law that have also been proposed. For instance, the Insolvency and Bankruptcy Board of India’s mandate will be widened to expand its development role, while allowing it to levy fees and other charges for some of the activities.

While the ordinance was pending with the cabinet for several weeks, it decided to quickly move in after Tata Steel announced that it was completing the acquisition of Bhushan Steel, the first high-profile case to be resolved under IBC.

## **Financial Express**

### **3. Andhra Bank reports Rs 2,535-cr standalone net loss in Quarter 4**

The bank had posted a net profit of Rs 35.12 crore in the corresponding quarter of 2016-17. The loss came in the backdrop of provisions for NPAs increasing to Rs 5,562.76 crore compared with Rs 1,171.58 crore in the year-ago period

By: FE Bureau

Andhra Bank has reported a net loss of Rs 2,535.82 crore on a standalone basis for the fourth quarter ended March 31, mainly due to higher provisioning for bad loans.

The bank had posted a net profit of Rs 35.12 crore in the corresponding quarter of 2016-17. The loss came in the backdrop of provisions for NPAs

increasing to Rs.5,562.76 crore compared with Rs 1,171.58 crore in the year-ago period.

The total income stood at Rs 5,092.62 crore in the March quarter compared to Rs 5,424.69 crore in the year-ago period. The bank's gross NPA widened to 17.09% of total assets compared to 12.25% in the corresponding quarter of the previous fiscal.

Similarly, the net NPAs rose to 8.48% from 7.57% in the January-March quarter of 2016-17. For the entire period of 2017-18, the bank posted a net loss of Rs 3,412.53 crore on standalone basis compared to a profit of Rs 174.33 crore in the preceding financial year, the bank said.

## **Economic Times.**

### **4. HDFC Bank clocking Rs 1,000 cr in digital loan sales; launches online loans against MFs**

PTI

HDFC Bank is clocking loan sales of Rs 1,000 crore per month through digital platforms across products and expects it to go up further with the launch of an online loan against mutual funds, a senior official said.

The private sector lender launched the new product offering today in association with CAMS, which controls 65 per cent of the market share.

The lender, which has digital platforms extending personal loans and loans against securities, is notching sales of over Rs 1,000 crore a month at present, its group head for unsecured loans Arvind Kapil told reporters.

It has an approved credit limits of Rs 10,000 crore on the loans against mutual funds (MFs) and insurance policies, he said, adding that the newly launched digital offering will grow its portfolio multiple times due to the convenience, without giving an exact quantum targeted.

The digital alternative will reduce time taken to pass a loan to a up to three minutes as against the current time of up to six days, he said, adding that even getting the money through redemption takes up to three days.

An investor can borrow up to 50 per cent of the value of her MF holdings in both the debt and equity segments and will be charged an interest rate of up to 11 per cent.

The minimum loan amount is fixed at Rs 1 lakh, while there is a limit of Rs 10 lakh for loans on equities and Rs 1 crore for debt mutual funds.

The customer needs to have a savings account with the bank to avail the loan and fill up certain forms to get a loan approval. The approved amount reflects in a specially created current account as an overdraft and the interest charges start with the draw-down, the bank said.

As an introductory offer, the bank will be charging a processing fee of Rs 1,499 per customer. At present, it has 10 MF houses for which the loans can be availed.

The digital alternatives are being launched under the bank's recently

adopted "blue ocean" strategy of exploring untapped areas for selling loans digitally.

## **Business Line**

### **5. Paytm Bank to create 1 lakh 'mobile bankers' in a year**

VIRENDRA PANDIT

Remember the humble postman who was the single-point contact of remote villages of Bharat with the rest of the world in the pre-globalisation India, *circa* 1991?

Financial services major Paytm may now be following a similar model. The Paytm Payments Bank — India's first bank providing zero balance accounts and zero charges on digital transactions — plans to train and fan out one lakh banking business correspondents, including women, in a year across Tier-I and -II towns, villages and remote areas. They will function as 'mobile banking agents' to the unbanked people.

"They will be equipped with smart phones, biometric devices, and banking apps, among others, to reach out to the unbanked people. They will receive and disburse money like any bank's branch, and provide basic banking services," Deepak Abbot, Senior Vice-President, Paytm, told *BusinessLine* on Wednesday.

Last year, Paytm Payments Bank launched "Paytm Ka ATM" outlets across India that allows customers to open saving accounts and deposit/withdraw money.

Abbot said Paytm currently has 20 crore customers and has evolved as a full-stake payments provider by offering multi-source and multi-destination solutions. "We plan to process ₹60,000 crore in monthly bank transfers by the end of this year. We are also planning to invest ₹500 crore in Paytm's core business — promoting bank transfers and building new products — and hope to increase the number of transactions from a billion to two billion each quarter."

It currently has 10 crore KYC-compliant users and 3.5 crore savings accounts.

Recently, it initiated Paytm Asha Kiran to empower rural women by educating them about financial services and creating job opportunities. In the first year, it plans to train one million women through workshops across Maharashtra, Karnataka, Haryana, Andhra Pradesh and Uttar Pradesh, Renu Satti, Managing Director and CEO, said.

With kind regards,

Yours Comradely,



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