



**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)

<b>Com. P.B. Thomas</b> Chairman Thiruvananthapuram M: 09447177456	<b>Com. Nitin Desai</b> President Ahmedabad M: 097277 60641	<b>Com. S. Bagchi</b> Working President Kolkata M: 0983081586	<b>Com. N. Govindarajulu</b> General Secretary Chennai M: 09841089111
---	--	--	--

Dear Comrades,

20th September, 2018

### News of Interest 1<sup>st</sup> OCT

#### MOTIVATIONAL QUOTES

“YOUR TRUE SUCCESS IN LIFE BEGINS ONLY WHEN YOU MAKE THE COMMITMENT TO BECOME EXCELLENT AT WHAT YOU DO. — BRIAN TRACY”

#### HIGHLIGHTS

1. CRISIS-HIT IL&FS TO RAISE RS 150 BN, HIKE BORROWING LIMIT TO RS 350 BN
2. VIJAYA BANK BOARD APPROVES MERGER PROPOSAL WITH BANK OF BARODA, DENA BANK
3. LAKSHMI VILAS BANK TO RAISE AROUND RS 2000-CR VIA PREF SHARE SALE; APPOINTS JP MORGAN FOR ADVICE
4. SBI HALVES DAILY ATM CASH WITHDRAWAL LIMIT TO RS 20,000
5. BANDHAN BANK MAY EXPLORE “INORGANIC OPPORTUNITIES” TO REDUCE PROMOTER STAKE

#### Business Standard

##### 1. Crisis-hit IL&FS to raise Rs 150 bn, hike borrowing limit to Rs 350 bn

The shareholders approved the company's proposal to raise up to Rs 150 billion by issuing secured non-convertible debentures through private placement

[Abhijit Lele](#)

Infrastructure Leasing & Financial Services (IL&FS) has again defaulted on repaying loans — this time the amount in question is about Rs 2.7 billion — even as it received the shareholders' nod to raise up to Rs 150 billion through debentures.

Cash-strapped IL&FS informed the BSE on Sunday that the company was unable to service its obligations on account of loans from banks and financial

institutions of Rs 2.23 billion due on September 28 and Rs 470 million due on September 29.

Earlier, it could not service repayments due on September 18 and 14. Also, there was a delay in servicing some inter-corporate deposits, which resulted in the downgrading of the company. Now the group flagship and holding company, IL&FS, and key group entities carry either the default 'D' grade or a sub-investment grade rating.

The shareholders approved the company's proposal to raise up to Rs 150 billion by issuing secured non-convertible debentures through private placement. They also gave the nod to increase the borrowing limit from Rs 250 billion to Rs 350 billion. The IL&FS group has a complicated structure, with the holding company owning stakes in its financial services arm as well as the subsidiaries that operate its infrastructure assets. IL&FS held its annual general meeting (AGM) of shareholders on September 29. The board of IL&FS in its meeting after the AGM took four important decisions. First, it will develop a comprehensive and restructuring plan to demonstrate to shareholders and lenders that it is self-sufficient in repaying its liabilities.

Second, it appointed specialist firm Alvarez and Marsal to come up with a restructuring plan for the group. Third, the company will pursue arrangement to satisfy creditors and shareholders that it has the capacity to service debt and equity. Finally, it will implement asset monetisation activity, which is consistent with the restructuring plan. The shareholders also approved the proposal to withdraw the final dividend on equity shares for FY18.

The company had issued notice for such a move (withdrawing the final dividend) on September 26. They passed the motion to treat an interim dividend on preference shares for FY18 as the final dividend. They also approved the proposal to increase the authorised share capital from Rs 15 billion to Rs 16.04 billion to facilitate the rights issue of equity shares. On August 29, the board of directors of IL&FS had approved a rights issue of 300 million equity shares at Rs 150 per share, aggregating Rs 45 billion. The issue will be completed by October 30. As of March 31, IL&FS's net worth was Rs 74 billion. The main shareholders of the group have a strong financial standing.

Life Insurance Corporation of India, Orix Corporation of Japan, State Bank of India and Central Bank of India are among the key shareholders of IL&FS. The AGM also gave the nod for re-appointing Arun K Saha joint managing director and chief executive of company for five years. Meanwhile, the company has said Hemant Bhargava, director of the company, has stepped down from the board with effect from September 28.

The board has appointed to the board Rakesh Kumar, who is Life Insurance Corporation of India's nominee. According to rating agency Moody's, the group's repayment risks will remain significant because of the weakening of its credit metrics. Over the last decade, the debt in the group has increased significantly on account of investments in new infrastructure ventures.

## **2. Vijaya Bank board approves merger proposal with Bank of Baroda, Dena Bank**

Post-merger, the asset size of the new entity would be over Rs 14.5 trillion

Press Trust of India

The board of state-run Vijaya Bank Saturday gave in-principle approval for its merger with Bank of Baroda along with another PSU lender Dena Bank.

Earlier this month, the government announced the merger of Bank of Baroda, Vijaya Bank and Dena Bank to create the country's second-largest PSU lender by assets and branches.

The board at their meeting held Saturday decided to give its in-principle approval for amalgamation of Vijaya Bank along with Bank of Baroda and Dena Bank in line with the Finance Ministry proposal of September 17 subject to all statutory approvals, Vijaya Bank said in a filing to exchanges.

"Amalgamation would enable creation of a bank with business scale comparable to global banks and capable of competing effectively in India and globally," it said.

Greater scale and synergy would lead to cost-benefit, higher productivity and efficiency of the banking system as a whole, it said.

In addition, it would provide an impetus for building banks with scale, ramping up credit growth, adoption of best practices across amalgamating entities for cost efficiency and improved risk management and financial inclusion through wider reach, it said.

Post-merger, the asset size of the new entity would be over Rs 14.5 trillion.

The combined business of amalgamated entities would make it second largest public sector bank of the country, it said.

While announcing the merger, financial services secretary Rajiv Kumar had said the merged entity would have better financial strength.

Dena Bank's net NPA ratio will be at 5.71 per cent, significantly better than public sector banks' average of 12.13 per cent, he had said, adding so would be the provision coverage ratio at 67.5 per cent against average of 63.7 per cent and cost to income ratio of the combined entity would come down to 48.94 per cent as compared to an average of 53.92 per cent.

The amalgamation of the three banks would be through share swap which will be the part of the scheme of merger.

In April 2017, State Bank had merged with itself five of its subsidiary banks and taking over Bharatiya Mahila Bank, catapulting it to be among top 50 global lenders with over \$550 billion in combined assets.

Post-merger of BoB, Vijaya Bank and Dena Bank, the number of PSU banks will come down to 19.

## **Financial Express**

### **3. Lakshmi Vilas Bank to raise around Rs 2000-cr via pref share sale; appoints JP Morgan for advice**

Lakshmi Vilas Bank (LVB) is planning to raise around Rs 2,000 crores in fresh equity capital before the end of the current financial year, and has appointed JP Morgan Chase for advice on the process

By: PTI

The Tamil Nadu-based mid-sized private sector lender Lakshmi Vilas Bank (LVB) is planning to raise around Rs 2,000 crores in fresh equity capital before the end of the current financial year, and has appointed JP Morgan Chase for advice on the process, a top official said Sunday.

The bank has also set a target of Rs 800 crores to Rs 1,000 crores through recoveries from defaulters. So far this fiscal, it has recovered around Rs 350 crore from defaulters.

It had mopped up around Rs 700 crores last November through qualified institutional placement to promoters.

The fresh fund raising plan through preferential allotment comes on the back of an expected uptick in credit growth for the bank, led by small scale units and retail demand, chief executive and managing director Parthasarathi Mukherjee told PTI over phone from Chennai.

"We are working on raising anywhere between Rs 1,500 crore and Rs 2,000 crore in fresh equity capital during this fiscal year. While the effort is on to get the money in by December, in any case it should be in before the end of the fiscal year as JP Morgan Chase, which is advising us, is already getting a good response," Mukherjee said.

The money will help the bank fund its growth which can clip around 20 per cent, he said.

Asked about news reports that the bank's promoters are planning to exit or cede management control by selling up to 51 per cent to strategic investors, he declined to comment.

However, I-banking sources told PTI that the bank already has held many rounds of discussions with global private equity leaders like Baring and Aion Capital, among others.

They also said the deal may be modelled after the Canadian NRI Prem Watsa of Fairfax Holdings' purchase of 51 per cent in the Thrissur-based Catholic Syrian Bank (in Kerala) that was concluded recently.

On asset quality, Mukherjee said the bank has been "witnessing a perceptible improvement in our assets quality moderation in stress in the lending book and as well as buoyancy in recoveries."

"We have already recovered around Rs 350 crores so far this fiscal and have set a target of mopping up Rs 800 crores to Rs 1,000 crores from defaulters by March," he said.

Last fiscal, the bank had added over Rs 2,915 crores in fresh bad loans, leaving it with a net loss of Rs 585 crores against a profit of Rs 256 crore in the previous fiscal year.

In the June quarter of this fiscal, its gross dud loans widened to 10.73 per cent from 3.78 per cent in June 2017, leading to a net loss of Rs 124 crores from a profit of Rs 66 crores a year earlier.

Asked about a massive fall in the bank stock last Friday, Mukherjee said it came as a surprise to him as nothing has changed negatively for the bank, and pointed to the massive sell-off in midcap stocks when the bank counter slumped 20 per cent to Rs 71.05 on the BSE.

In an exchange filing late Saturday on this, LVB said, "The bank has been consolidating its business significantly during the current financial year. During this year, asset quality slippages have considerably moderated and the bank has seen an impressive growth in low cost Casa balances. Overall, our funding has become a lot more granular in nature now."

"Our capital raising process, including induction of strategic investors, is proceeding as per plan and investment managers have seen good interest from high quality global investors so far. It is expected that the process will be completed well before the financial year-end," it said.

On other key metrics, Mukherjee said the bank's low-cost deposits Casa has grown by over 50 per cent in the past three years, since he took over, to 21 per cent of the total deposits. Higher Casa base helps a bank net higher margin.

He said the bank's liquidity condition is very good and he does not see any challenges going forward.

"There is credit demand now, thanks to SMEs and new retail borrowers. This has helped our asset base to change from 50 per cent of corporate book three years ago to 61 per cent now being non-corporate book. Today, corporate asset is only 39 per cent," he said.

Founded in 1926, the bank has a strong retail base in Tamil Nadu, apart from Kerala, Karnataka and Andhra with 567 branches.

## **Economic Times**

### **4. SBI halves daily ATM cash withdrawal limit to Rs 20,000**

By *Sugata Ghosh* , ET Bureau

The country's largest lender, State Bank of India (SBINSE 0.06 %), has lowered the ATM cash withdrawal limit to Rs 20,000 a day, from Rs 40,000. The lower limit will be effective from October 31.

"In view of the increase in the number of complaints received by banks around fraudulent transactions at ATMs and to encourage digital and cashless transactions, it has been decided to decrease the cash withdrawal limits of debit cards issued or being issued on 'Classic' and 'Maestro' platforms," said a bank communiqué to offices.

Skimmers, as reported in multiple cases in the past decade, steal the PIN for debit cards from unsuspecting customers using hidden cameras and electronic devices. The Classic cards constitute a sizeable chunk of SBI's card portfolio. The restriction on cash withdrawals comes weeks before the festival season.

Despite the government's digital push and rise in digital transactions, the demand for cash continues to be high and, according to some estimates, it is as high as pre-demonetisation levels. Asked whether this could cause any inconvenience, SBI managing director PK Gupta said, "Our internal analysis shows most actual withdrawals are of smaller amounts. So, Rs 20,000 should be adequate for most customers. We are trying to see whether smaller withdrawals could minimise frauds" He said customers with a requirement for more can ask for card variants that offer higher withdrawal limits. Such cards are issued to those keeping a higher minimum balance in their bank accounts.

According to a person in the payments technology industry, debit card users are most gullible when it comes to card frauds. "Information such as PIN is not just stolen at ATMs," he said.

"In fact, I would say (this also happens at) point of sale terminals in merchant outlets and also by some people carrying mobile card swipe devices. Many debit cards still follow the magnetic stripe technology and are comparatively more prone to frauds. Only for international debit cards is the transition to chip-based technology taking place."

Smaller cities are driving credit card growth of some of the large banks, with cardholders outside the top 10 cities accounting for 40-45% of spending. As per Banking Codes & Standards Board of India (BCSBI) guidelines, at least 30 days' notice has to be given to customers for any change in terms and conditions or charges. SBI has directed all its branches to display the message on notice boards.

## **Business Line**

### **5. Bandhan Bank may explore "inorganic opportunities" to reduce promoter stake**

OUR BUREAU

Bandhan Bank is open to exploring "inorganic opportunities" to pare down the promoters' stake to the 40 per cent as mandated by the Reserve Bank of India in the licensing norms for universal banks.

In an analysts call on Saturday, Sunil Samdani, CFO, Bandhan Bank said the bank may look at inorganic opportunities in MSME finance and affordable housing finance in line with the bank's overall strategy for growth. It may also consider getting into the mutual fund or insurance business at the holding company level.

"As per the original plan, we were to get into other financial business like insurance and mutual fund after three years of forming a bank. We will evaluate these businesses going forward to help dilute the stake," Samdani said in the call.

The RBI had, on Friday, restricted Bandhan Bank from opening branches freely and had also frozen the remuneration of CS Ghosh, the bank's MD and CEO, at current levels. The bank can, however, open branches with prior approval of RBI.

As per licensing norms, the bank had to bring down promoters stake to 40 per cent from the current level of 82.28 per cent within three years of commencing operations. The bank commenced operations in August 2015, so it had to ideally reduce the promoter holding by August 2018. The bank

went for an IPO in March this year, when promoter stake came down from 89.62 per cent to the current level.

As per SEBI norms, the holding company cannot sell any shares for entering other businesses during the one year lock-in period post the IPO. On the option of secondary sale of shares, Samdani said, the bank is adequately capitalised at over 30 per cent and any issuance would depend on fund requirements.

Bandhan Bank had planned to open 1000 branches, up from its current 937 branches, by March 2019. The current restrictions on opening new branches will not affect the business of the bank. "We will continuously engage with the RBI and give them the comfort and roadmap as to how we plan to bring down promoter holding," he said.

With kind regards,

Yours Comradely,



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