



**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)

---

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. B.B. Yadav Vice Chairman Sangli M: :098811 91110	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
--	--	---	---	---

---

Dear Comrades,

11th April , 2019

### News of Interest 11<sup>th</sup> APR

#### QUOTE OF THE DAY

“WITHOUT YOUR INVOLVEMENT YOU CAN'T SUCCEED.  
WITH YOUR INVOLVEMENT YOU CAN'T FAIL”. DR. A.P.J. ABDUL KALAM

#### HIGHLIGHTS

1. NBFCs PAYING MORE IN RAISING FUNDS VIA NCDS
2. PUBLIC SECTOR BANKS TO GET MORE GOVT CAPITAL IN H1FY20
3. INDIABULLS MERGER WITH BANK WILL LEAD TO CAGR OF 25%: MD LAKSHMI VILAS BANK
4. HFCS HOLDING RATE CUTS OVER HIGH BOND YIELDS, CASH CRUNCH
5. KVB CUSTOMERS MAY HAVE TO PAY EXTRA FEE FOR LOOKING UP LOCKER MORE OFTEN
6. FDI POLICY IN PENSION SECTOR: PFRDA TO FRAME GUIDELINES TO BRING CLARITY

#### Financial Express

##### 1. NBFCs paying more in raising funds via NCDs

NBFCs have been raising more funds from the NCD market since commercial banks appear to have slowed in extending credit to the sector

By Shashank Nayar

Non-banking financial companies (NBFCs) are paying more to raise funds via non-convertible debentures (NCDs), with the average coupon rate having seen an increase of 80-100 bps over the past year or so.

NBFCs have been raising more funds from the NCD market since commercial banks appear to have slowed in extending credit to the sector.

For instance, Shriram Transport is now paying 130 basis points (bps) more than it did a year back. In April, the lender mopped up money at a rate of 9.50%. In March 2018, it had paid a coupon of only 8.10%.

Again, L&T finance raised funds in April 2019 at 9% which was a significantly higher rate than 8.25% it had offered in March 2018.

The higher cost of funds is likely to have some impact on the interest margins of these non-bank lenders unless they are able to pass this on to their borrowers. The management at Magma Fincorp, which had raised money in April at a cost that was 30 bps more than in March last year, said the cost of funds had increased by 70 bps over the six months to December, 2018. "The weighted average cost of funds was higher in Q4FY19," Kailash Baheti, CFO of Magma Fincorp, said. The company's net interest margins (NIMs) fell by 60 bps q-o-q in Q3FY19 to 8.2%.

	Coupon and Issue date		Change in coupon	Tenor
	March 2018	April 2019		
Srei Infrastructure	8.10%	8.65%	45 bps	5 years
Magma Fincorp	10.20%	10.5%	30 bps	5 years
Shriram Transport	8.10%	9.5%	130 bps	5 years
Shriram City Union	8.9%	9.75%	85 bps	5 years
L&T Finance	8.25%	9%	75 bps	5 years
Muthoot Homefin	9%	10%	100 bps	5 years

YS Chakravarti, executive director, Shriram City Union Finance, said, "While we still rely majorly on banks for our funding purposes, the reason we are going ahead with issuing NCDs even at a higher cost is to lower our risk at times when banking system liquidity is a problem and to fulfil the central bank's borrowing framework."

However, the cost of funds for AAA-rated NBFCs has come down by 26 bps in March compared to February this year, while it has been 17 bps higher since September 2018 when liquidity constraints were at its peak, according to experts at Care Ratings.

## 2. Public sector banks to get more govt capital in H1FY20

By: [FE Bureau](#)

The finance ministry believes the worst is over for state-run banks as they are well capitalised at the moment. The government had infused around Rs 1.06 lakh crore in FY19.

Having infused around Rs 1.06 lakh crore in FY19, the government is unlikely to provide more capital to state-run banks in the first half of this fiscal, as they are well capitalised at the moment, sources said on Wednesday. Consolidation of public sector banks (PSBs), however, could dominate the reforms agenda in the current fiscal, subject to political clearance, they added.

"PSBs had already been adequately capitalised in FY19 and are now focusing on recoveries and external (non-government) sources of funding. The resolution of Essar Steel and Bhushan Power and Steel is going to yield

much and will improve PSBs' cash flow. So, there won't be any requirement of further infusion in the next few months," said one of the sources.

In February, the government had approved Rs 48, 239 crore in capital (via bonds) for a dozen PSBs, including Allahabad Bank, Corporation Bank and Punjab National Bank (PNB). In FY18, the infusion was to the tune of Rs 88,139 crore. The infusion this year shored up the capital base of weak PSBs and helped some of them get out of the prompt corrective action (PCA) framework of the central bank. The RBI has already removed Allahabad Bank, Corporation Bank, Bank of India and Bank of Maharashtra from its PCA framework. It had also lifted restrictions placed on Oriental Bank of Commerce, subject to certain conditions.

Prior to the move, as many as 11 of the 21 PSBs were under the corrective regime.

However, despite massive infusion since 2014-15, the share of state-run banks in the market capitalisation of all banks has dropped sharply in the current NDA regime —from around 42% in 2014 to just around 26% until recently. Of course, without the government support, many of the bad loan-hit banks would have fallen short of meeting their regulatory capital requirement. However, this has intensified calls for privatising weak PSBs and not just getting LIC to bail out some of them (LIC recently completed acquisition of a 51% stake in IDBI Bank, saving the government the need to further capitalise the debt-laden lender last fiscal).

As for the next phase of consolidation in the public-sector banking space, there were speculations earlier that the government could weigh the possibility of amalgamating three more lenders — PNB, Oriental Bank of Commerce and Punjab & Sind Bank —although any such plan would have to be endorsed by an inter-ministerial group (formally called Alternative Mechanism). Also, given that PNB, OBC and Punjab & Sind Bank, while witnessing an improvement in their finances, are not out of the woods yet, the government may choose to wait until their recovery takes roots.

However, the successful experience of merging State Bank of India with five of its subsidiaries and Bharatiya Mahila Bank, and the amalgamation of Bank of Baroda, Vijaya Bank and Dena bank have given the government confidence that another round of consolidation can be handled without any hiccups. Amalgamations in the banking space will be part of the government's efforts to create a few but strong state-run lenders with much larger balance sheet to support the rising appetite for credit of the fast-growing economy.

The finance ministry believes the worst is over for state-run banks. Gross non-performing asset ratio in the banking system is expected to ease for the first time in almost a decade to 10.3% by the end of 2018-19 under the baseline scenario, from as much as 11.2% a year before, according to the latest RBI projection. This is mainly due to easing concerns about the NPAs of state-run banks that account for an overwhelmingly large share of these bad loans.

## **Business Standard**

### **3. Indiabulls merger with bank will lead to CAGR of 25%: MD Lakshmi Vilas Bank**

Parthasarathi Mukherjee, managing director and chief executive of the bank, tells Business Standard the move would give a momentum to the concept of NBFCs entering the banking system through mergers

T E Narasimhan & Gireesh Babu

The board of Lakshmi Vilas Bank(LVB) approved the proposed merger with Indiabulls Housing Finance last week. Parthasarathi Mukherjee, managing director and chief executive of the bank, tells T E Narasimhan & Gireesh Babu the move would give a momentum to the concept of NBFCs entering the banking system through mergers. Edited excerpts.

### **What prompted the bank to go for the merger?**

The bank decided to raise funds through strategic investors, and we did raise some amount through qualified institutional placement. But since it was not enough, we went for the merger. We had 8-10 proposals. But none came to conclusion, except for Indiabulls. This particular transaction announcement would now give impetus to the concept of non-banking financial companies (NBFCs) looking at banks and vice versa.

### **What was the obstacle with other investors? And, did the board consider merging with other banks?**

Valuation was the main issue. We considered merging with other banks, but did not take it forward for the fear of losing the LVB identity. We wanted it to be the core.

### **Indiabulls doesn't have banking experience and has 9,000 employees (LVB has 5,000). Will the merger be a challenge and create cultural issues?**

It would be an advantage for LVB, considering the merged entity's core would be banking. It would be led by LVB employees across the branches.

Indiabulls employees come with good retail domain experience, and it has 220 branches, taking the combined entity to around 800 branches. These would now be bank branches, with nearly 14,000 employees. The merged entity, Indiabulls Lakshmi Vilas Bank, would be the eighth largest private bank in India by size and profitability, as against second last in terms of size. At one stroke, we will get a huge leap.

### **By when would the approval come? Do you have a Plan B if there are delays?**

We are hoping it would take 6-12 months. In the interim, Indiabulls has said it would support us. Besides, the bank is also planning to raise funds by preferential allotment of equity shares and additional Tier-I bonds.

### **What kind of growth are you looking at after the merger?**

Without the merger our focus would have been on conserving capital and we would have grown at 5 per cent. With this merger and capital, we can grow at a CAGR of 25 per cent. By 2026, which would be 100 years in existence

for the bank, we would grow six times. Before the merger, the expected figure was three times.

**By when do you expect a turnaround, considering non-performing asset (NPA) levels are still high leading to loss since provision coverage ratio needs to be high?**

Six to eight years back, the bank was growing fast and picked up some chunky corporate assets. While the economy was doing well, these assets were giving good returns, but when things started slowing down these became non-performing loans (NPLs), leading to around Rs 3,000 crore gross NPA by the end of December 2018. More than 50 per cent of these loans are provisioned, and I would actually like to pre-empt the provisioning for the first two quarters now itself to further strengthen the balance sheet.

But it is too early to comment. The corporate book was around 53 per cent about a year back. Now it is 37 per cent. Hereafter we would be mostly on a recovery drive for NPLs, which means allocation would be less in the coming quarters and some of the assets would be sold to asset reconstruction companies.

Today, nearly Rs 1,400 crore of NPLs are with the National Company Law Tribunal so the bank needs to wait for resolutions. Straight recovery might not be easy in such cases. But on a portfolio basis it would not be unreasonable to expect at least about 40 per cent of the book would stand recovered over time. A bulk of it should happen in the next couple of years. All this, backed by fresh capital, would help the bank start reporting small profit from first quarter.

**Will the bank continue to be headquartered in Chennai? Will any retrenchment happen?**

Since our focus is in south, a good number of management people would be based in Chennai. Whether the bank would be headquartered in Mumbai or in Chennai is yet to be decided.

As far as the people are concerned, the agreement is clear that all existing service conditions and commitments of the bank will be maintained by the merged entity. We have our own service conditions for our staff and all will be honoured.

## **Economic Times**

### **4. HFCs holding rate cuts over high bond yields, cash crunch**

Although the RBI reduced rates by 25 basis points each on April 4 and February 7, seeking to push economic growth, banks find it hard to pass on the benefit

By Atmadip Ray Saikat Das Dheeraj Tiwari, ET Bureau|

Banks and housing finance companies (HFCs) are struggling to pass on interest rate cuts announced by the Reserve Bank of India this year due to sticky deposit rates, tight liquidity conditions and elevated bond yields.

The half-a-dozen banks that lowered their marginal cost-based lending rate

(MCLR) in March are likely to abstain from further rate action, two bank executives said. Others including State Bank of India, the country's largest, and HDFC Bank have cut their rates by 5-10 basis points.

Although the RBI reduced rates by 25 basis points each on April 4 and February 7, seeking to push economic growth, banks find it hard to pass on the benefit.

"Banks are not lowering their rates as deposit rates need to be lowered first," said Madan Sabnavis, chief economist with CARE Ratings. "This cannot be done given the slow growth in deposits as households have shifted to equities and mutual funds. Currently, to meet their credit requirements, they have been sourcing corporate deposits at a higher rate."

### **Twin Problem:**

- HFCs are struggling to transmit RBI's rate cuts on account of tight liquidity situation and elevated bond yields.
- Only SBI has announced a 10bps cut in home loan rates after 50bps reduction in key policy rates by RBI in last 3 months.
- No other lender or HFC has cut rates in April although some are expected to follow SBI's lead.

"We would like to see if the repo rate cuts translate into lower cost of borrowings and then decide on our lending rate cuts," said the treasury head of a top five housing finance company.

"There are two issues. First, that market liquidity will be under stress till June, so HFCs have little room. Second, there is a lag in transmission of rate cuts by RBI," said a senior executive with National Housing Bank, the regulator for HFCs.

The RBI's rate cuts transmit with a few months lag, said Keki Mistry, vice chairman at HDFC Ltd., India's largest mortgage lender, adding that while some HFCs have marginally reduced rates, it would not be equivalent to the policy cuts. The company lowered its home loan rates by 10 bps on February 18.

Mistry argued that there are three factors that lead to lowering of interest rates –falling bond yields, improving market liquidity and decreasing deposit rates.

"None of these happened on a sustainable basis after two consecutive RBI rate cuts," he said.

Lenders including ICICI Bank, Bank of Baroda, Punjab National Bank and Union Bank of India reduced their respective MCLR by 5-10 bps in the 40 days following the RBI's February policy action. "These may not go for further rate cuts," the chief executive officer of a public sector bank said.

### **Business Line**

#### **5. KVB customers may have to pay extra fee for looking up locker more often**

[LN Revathy](#)

The bank to levy a charge of ₹200 + GST beyond 12 visits per year

Karur Vysya Bank has announced a revision in its service charges effective from May 1, 2019.

And this revision in charges, apart from being account-related — be it for non-maintenance of average minimum balance, cheque book issue, or upward revision in safe deposit locker rent (as one would expect normally) — is proposed for locker operations as well.

So, from May 1, the user would have to plan in such a way that he/she does not have to pay a price for checking on the locker more than once a month (on average).

The lockers are categorised size-wise as small, medium, big, large, extra large and mega lockers and the rent ranges between Rs.1,000 and Rs.20,000 a year.

The bank has, according to the circular, decided to levy a charge for locker operations as well.

While the customer can operate it for free for up to 12 visits a year, the bank has decided to charge the customer Rs.200 plus GST for every locker operation beyond 12 visits. "And this charge will have to be levied manually by the branches concerned as there is no system provision," the circular reads.

When asked about this levy, a bank source told *BusinessLine* that such a charge was imposed many years back to restrict footfalls in the locker room, but was withdrawn after customers raised a hue and cry about the imposition of such a charge.

"We have now decided to introduce such a charge to restrict footfall. It would also help the bank to generate some revenue from such a service," the source said.

## **6. FDI policy in pension sector: PFRDA to frame guidelines to bring clarity**

[KR Srivats](#)

Asks States to provide employees subscribing to NPS wider fund manager choice, higher equity exposure

Pension regulator PFRDA will soon frame guidelines to bring clarity on the FDI policy in the pension sector, its Chairman Hemant Contractor said.

The new guidelines are being framed at the behest of the Central Government to provide foreign investors with all the clarity on investment norms at one place.

Currently, the foreign investment regime for pensions is largely linked to the one prevailing in the insurance sector, especially with regard to the FDI cap which is pegged at 49 per cent. Any pure-play foreign pension player has to look at the FDI policy on insurance before firming up investment decisions in the pension sector.

"The government has now asked us to frame guidelines. They (government) have said that both direct and indirect investment should be considered.

There was a question mark on what would constitute foreign investment — direct only or both direct and indirect,” Contractor told *BusinessLine*.

One of the issues that requires clarity is how foreign investment at the level of sponsors of pension fund managers be counted to determine the FDI cap at the level of pension entities.

It is expected that the proposed guidelines — which when finally issued by the Department of Financial Services — will throw light on how foreign investment levels will be computed for downstream companies in the pension sector.

“The guidelines (on FDI policy) will cover who can come in, how indirect investment will be computed for sectoral caps. It will also look into the ‘control aspect’,” Contractor said.

### **Letter to States**

Following the Centre’s recent decision allowing its employees to opt for private pension fund managers to manage their NPS monies and also have higher equity investments, the PFRDA has written to the States to allow similar flexibility for the State Government employees’ who are NPS subscribers.

“If States also agree to this and give their employees wider choice in selection of PFMs and permit equity investments up to 50 per cent, then there will be a big jump in the incremental flow of monies into the equity market,” Contractor said.

Contractor, who will superannuate this month, pointed out that State Government employees account for twice the contributions of the Central Government employees for NPS.

As of end March 2019, the total subscriber base to various pension schemes overseen by the Pension Fund Regulatory and Development Authority (PFRDA) stood at 2.74 crore, a jump of 30 per cent during 2018-19. Total assets under management (AUM) for the sector stood at Rs.3.19 lakh crore as at end March 2019. AUM grew by Rs.84,000 crore during 2018-19, official data showed.

### **PFM minimum capital**

Meanwhile, PFRDA is also contemplating an increase in minimum capital of pension fund managers to Rs.50 crore, from Rs.25 crore. “We plan to change regulations for this (increase minimum capital requirement). We want the PFMs to provide more infrastructures,” Contractor said.

With kind regards,

Yours Comradely,



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