



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

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Dear Comrades,

1st February , 2019

News of Interest 1st Feb

QUOTE OF THE DAY

““YOU JUST CAN'T BEAT THE PERSON WHO NEVER GIVES UP.” —BABE RUTH

HIGHLIGHTS

1. RBI REMOVES BANK OF INDIA, BANK OF MAHARSHTRA, OBC FROM PCA REGIME
2. GOVT LAUNCHES PROBE AGAINST DHFL, ISSUE MAY HIT SECTOR INVESTMENT
3. DENA BANK Q3 LOSS NARROWS AS PROVISIONS DECREASES
4. SBI DENIES DATA LEAK CHARGES, BUT CUSTOMERS BE ON ALERT
5. LAKSHMI VILAS BANK'S RS.700-CRORE QIP ISSUE MAY OPEN IN FEBRUARY

Business Standard

1. RBI removes Bank of India, Bank of Maharashtra, OBC from PCA regime

Bank of India, Bank of Maharashtra, Oriental Bank of Commerce can resume normal business but will be under observation

Abhijit Lele

The Reserve Bank of India (RBI) on Thursday removed three public sector banks from the prompt corrective action (PCA) framework, allowing them to carry on normal business, especially lending. The three banks are Bank of India (BoI), Bank of Maharashtra (Mahabank), and Oriental Bank of Commerce (OBC).

The central bank took this decision after reviewing the performance of these banks in the October-December (Q3) 2018-19 (FY19) quarter. The banks will, however, have to meet some norms that will ensure close monitoring.

BoI and Mahabank have met the regulatory norms, including the capital conservation buffer (CCB) and have net non-performing assets (NPAs) of less than 6 per cent according to their third quarter results, the RBI said in a statement.

A S Rajeev, MD and CEO, Bank of Maharashtra said, "We would like to thank the government for the recent capital infusion of Rs 4,498 crore and all our employees for their efforts to help us exit the PCA framework. As the bank steps out of the PCA framework, we aim to continue our higher growth trajectory and enhance lending to key sectors such as retail, agriculture and micro, small and medium enterprises."

In the case of Gurugram-based OBC, though the net NPA was 7.15 per cent, the government has since then infused sufficient capital and the bank too has brought its net NPA to less than 6 per cent. Hence, the banking regulator decided to remove the restrictions placed on OBC under the PCA framework.

The RBI has put the PCA framework in place to maintain sound financial health of banks. It facilitates banks, which are in breach of risk thresholds in areas such as capital, asset quality (net NPA), and profitability, to take timely corrective steps to restore financial health.

A bank is put under the PCA if its net NPA crosses 6 per cent, or is loss making for two consecutive years, or has capital adequacy below the 9 per cent regulatory requirement. Such lenders face restrictions on big-ticket corporate loans, opening new branches, and hiring.

All 12 banks under the PCA have high levels of stressed assets and a poor financial profile. Besides these three, Mumbai-based IDBI Bank, Central Bank of India, Dena Bank, Corporation Bank, and Indian Overseas Bank are under the PCA framework.

Three Kolkata-based lenders Allahabad Bank, United Bank of India and UCO Bank are also under the PCA regime. Dhanlaxmi Bank, a small South India-based bank, is the only private sector lender to be put under the PCA framework.

The RBI said a few banks are not in breach of the PCA norms according to their published results for the quarter ending December 2018, except on return on assets (RoA). However, though the RoA continues to be negative, the same is reflected in the capital adequacy indicator.

These banks have given a written commitment that they would comply with the norms of minimum regulatory capital, net NPA and leverage ratio on an ongoing basis. They have apprised the banking regulator about the structural and systemic improvements put in place to help the banks in continuing to meet these commitments.

Further, the government has also assured that the capital requirements of these banks will be duly factored in while making bank-wise allocations during the current financial year, the RBI added.

The PCA is intended to encourage banks to eschew certain riskier activities, improve operational efficiency and focus on conserving capital to strengthen

them. The framework is not intended to constrain the performance of normal operations of the banks for the general public.

2. Govt launches probe against DHFL, issue may hit sector investment

A report by Cobrapost claimed that DHFL, through layers of 45 shell companies, allegedly siphoned off Rs 31,000 crore out of the total bank loans of Rs 97,000 crore

Anup Roy

The corporate affairs ministry has started inquiring into allegations of Dewan Housing Finance Corporation (DHFL) diverting Rs 31,000-crore loans and would seek more information from the housing finance firm, a senior government official said on Thursday. "We have started verifying them... we will also call for information from DHFL," the official said.

But will the enquiry or the allegations severely affect DHFL's business? Analysts said the chances are slim, though the macro effect on the sector could be more pronounced.

DHFL is in the eye of a storm after a report by Cobrapost that the company, through layers of 45 shell companies, allegedly siphoned off Rs 31,000 crore out of the total bank loans of Rs 97,000 crore. The promoters allegedly bought assets overseas and even a cricket team in Sri Lanka.

The management has denied the allegations. In a clarification to the exchanges, DHFL also said it has not received any communication from the corporate affairs ministry "in relation to any probe against the company". The company's shares on the BSE fell 15.9 per cent on Thursday to Rs 135.85 a piece from Rs 161.6 per share on Wednesday.

Analysts said the alleged amount might be an exaggeration, and that several things were going in favour of the company.

First, it has never defaulted on loan payment; it paid back Rs 17,876 crore between September 24 and December 31 last year. This includes commercial papers, bank loans, external commercial borrowings, and bonds. Their liquidity status is good and they have deep credit lines.

They also have a good asset base, focused on semi-urban and rural areas. This generates good revenue. They would find buyers easily for these.

Macro impact: The effect of the allegations and enquiry could be macro, said analysts.

DHFL is the second-largest non-banking finance company (NBFC) for mortgages. Allegations of mismanagement against it, close on the heels of the IL&FS crisis, does not bode well for the sector. Raising funds is a challenge; this could damage the confidence in the eco-system further.

NBFCs, struggling to raise money from institutions, have successfully tapped the retail segment. DHFL itself has raised Rs 10,000 crore through retail bonds. Even though they are unlikely to default, when they return to the bond market, mobilising funds will be very difficult, said analysts.

"If a single company hits the confidence channel, it becomes difficult for others to raise funds, too. The DHFL issue may stifle retail bond participation, which was coming up nicely," said an executive at a rating agency who did not want to be named.

Established in 1984, DHFL's business interests range from real estate financing, SME loans, housing construction loans, loans against properties etc. It has an "AAA" rating.

DHFL and the NBFC crisis: In September last year, DSP Mutual Fund tried to sell a DHFL bond in the secondary market, but buyers were few. DSP sold Rs 300-crore papers at a yield at 11 per cent.

This was about 100 basis points higher than what the papers were sold at before September and created an impression that the housing finance company was suffering from liquidity issues.

The stocks were hammered, falling to Rs 350.55 per piece on September 21 to Rs 610.55 per share on September 19 — a fall of about 43 per cent. But, the stocks recovered after the management assured investors that all was well.

Analysts said in the light of the Cobrapost report, it seems that the group of investors who hammered the DHFL stock then could have already known about it. They also said defaults by the IL&FS triggered a crisis in the NBFC sector; DHFL was the worst hit.

This is not the first time DHFL management has come under the scanner. In December last year, Moneylife noted that the company used poor disclosures to boost its valuation.

The company borrowed from two mutual funds and indirectly injected the money into DHFL to boost net worth. The company wrote a put option for the promoters without disclosing it properly, despite being a publicly listed company, according to Moneylife. "DHFL is not transparent, but not insolvent either," said an analyst tracking the company. "They have probably lent to their real estate arms as the sector is not getting ready finance. The understanding could be that the money will be returned with interest upon completion of the projects. In the worst case scenario, it is round-tripping of funds, but not necessarily siphoning off."

The road ahead: There is a difference between IL&FS and DHFL. In the case of the former, cash flow had stopped and debt-servicing stopped. DHFL looks like it can still manage its financial obligations. The risk of default does not seem too high.

But the company will have trouble raising funds till the cloud of uncertainty clears, said analysts. The company has enough liquidity to fund its operations for the next four-five months.

In the meanwhile, DHFL has become averse to lending to maintain balance sheet liquidity, said analysts, adding that this is potentially a bad move.

"NBFCs can leverage up to 10 times and banks can leverage 15 times of their net worth, but the option for banks is to remain afloat through their

treasury operations, but an NBFC scaling back on lending is a potential red flag, though conservatism is good for your liabilities,” said an analyst.

Financial Express

3. Dena Bank Q3 loss narrows as provisions decreases

By: [FE Bureau](#)

Provisions fell 62% year-on-year to Rs414 crore on account of fall in slippages and an increase in recoveries from non-performing assets (NPAs).

The private sector lender’s pre-provisioning profit fell 26.8% y-o-y to Rs226.3 crore on account of a fall in the total income and net interest income (NII). The total income fell 7.4% y-o-y to Rs2,292 crore.

Dena Bank on Thursday reported a smaller loss in Q3FY19 of Rs178.5 crore, led by a decrease in its provisions. The net loss in Q3FY18 was Rs380 crore.

Provisions fell 62% year-on-year to Rs414 crore on account of fall in slippages and an increase in recoveries from non-performing assets (NPAs). “The fall in slippages and a close to Rs1,000 crore cash recovery from NPA accounts has helped us reduce our provisions,” said Karnam Sekar, MD & CEO, Dena Bank.

The private sector lender’s pre-provisioning profit fell 26.8% y-o-y to Rs226.3 crore on account of a fall in the total income and net interest income (NII). The total income fell 7.4% y-o-y to Rs2,292 crore.

The net interest income (NII) fell 9.8% y-o-y to Rs631 crore. NII is the difference between interest earned and interest paid by a bank. The net interest margin (NIM) fell 31 basis points (bps) to 2.31%.

The lender’s asset quality improved q-o-q with gross non-performing assets (NPA) of 19.7%, down 387 basis points over Q2FY19. The provisioning coverage ratio (PCR) stood at 66.6%, up 135 bps. The net NPA at 10.4% was 126 bps lower over the previous quarter. Total advances as at the end of Q3FY19 stood at Rs65,734 crore, down 9.26% year-on-year and fell by 3.72% q-o-q from Rs68,275 crore in Q2FY19.

Total deposits fell 3.96% year-on-year to Rs1.05 lakh crore. The current accounts savings accounts (CASA) ratio improved to 41.24% against 38.46% in Q2FY19.

Economic Times

4. SBI denies data leak charges, but customers be on alert

By [Saikat Das](#), ET Bureau

- Customers should install applications from trusted sources, such as Google Play Store, after verifying the correct nomenclatures from the bank.
- According to a senior bank official who ET spoke with, there is cause for concern because of the lengthy chain in a transaction set.

State Bank of India (SBI), the country’s biggest lender, said that the data of its customers are safe and that it is continuing to probe the systems for a potential breach of security after a Techcrunch report on data compromise at the bank.

Basis our initial probe, we hereby confirm that SBI's data continue to remain secure and all profiles and financial records of our customers are safe," a bank spokesperson said in a note. "The bank is continuing its investigation into all the components of the ecosystem to ascertain that there is no other impact."

Earlier, the foreign Web site claimed that the SBI server was located in a Mumbai data centre and was not protected by a password for an unknown period. This allowed anyone access to financial information, such as bank balances and recent transactions, on millions of SBI customers.

According to a senior bank official who ET spoke with, there is cause for concern because of the lengthy chain in a transaction set.

For each transaction, the bank sends an alert by a text message. The bank system creates the SMS and then sends it to a service provider, generally an aggregator. The aggregator has arrangements with some telecom companies, and forwards it to a telecom company, which in turn sends it to the recipient's telecom company that finally delivers it to the handset of the customer.

"Each player in these delivery chains assumes the responsibility for its role," said the person cited above.

Customers should install applications from trusted sources, such as Google Play Store, after verifying the correct nomenclatures from the bank.

"Even if the claims of the hackers are true, the maximum damage could be a social engineering attack in different forms and modes," said Rakshit Tandon, a Delhi-based cyber-crime expert. "There can be fake calls, SMS, or emails, which may result in fraudulent activities. Customers should be aware of any such social engineering."

Business Line

5. Lakshmi Vilas Bank's Rs.700-crore QIP issue may open in February

[Rajesh Kurup](#)

Funds to shore up tier-I ratio, increase provision coverage and grow business

Mid-sized private sector lender Lakshmi Vilas Bank (LVB) is planning to raise Rs.500-700 crore through a qualified institutional placement (QIP) in February. The QIP is part of its larger plan of raising about Rs.2,000 crore through various modes, primarily through a preferential allotment of shares and QIPs.

The Chennai-based lender is expected to launch the QIP after its third quarter results and the mandatory silent period associated with it in February itself, sources close to the development told *BusinessLine*. According to a regulatory filing on January 29, the bank's board is scheduled to meet on February 4 to approve third quarter results.

"The bank intends to use the funds largely to beef up its tier-I ratio, to increase the provision coverage, and enable the lender grow its business. At present, the bank is short of capital and is not able to grow the capital," one of the sources said.

"The bank's business is shrinking as it did not raise any capital earlier," another source said, adding it had earlier secured a board approval for the entire fund-raising.

Ropes in KPMG: LVB is yet to finalise a merchant banker for the QIP, which would be done depending on the region and demand from potential investors.

"This would happen in the next few days," the first source added.

The lender, which had earlier received a board approval for the entire Rs.2,000-crore fund-raising, had also conducted a couple of road shows.

LVB is also in talks with many investors for preferential allotment of shares, to raise the remaining Rs.1,300-1,500 crore.

The sources declined to be identified before a formal announcement is made; LVB officials too declined comment.

The lender, which had earlier raised Rs.800 crore through a rights issue, roped in KPMG to assess its overall operations.

The decision to raise funds was based on a due diligence done by KPMG.

Earlier in September, the bank had announced its decision to raise about Rs.2,000 crore in fresh equity before the end of the current fiscal.

It had appointed JP Morgan Chase for the process.

The bank had also set a target of recovering Rs.800-1,000 crore from defaulters this fiscal.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**