AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Indian Banks' Association(IBA) calls bank unions for a meeting August 16

In an attempt to avert the nationwide bankers' strike on August 22, the Indian Banks' Association (IBA) and the Chief Labour Commissioner have called the United Forum of Bank Unions (UFBU) for talks, a top leader of All India Bank Employees' Association (AIBEA) said.

By: IANS | Chennai | August 12, 2017 FINANCIAL EXPRESS

The UFBU is an umbrella body of nine unions in the Indian banking sector. (Reuters)

In an attempt to avert the nationwide bankers' strike on August 22, the Indian Banks' Association (IBA) and the Chief Labour Commissioner have called the United Forum of Bank Unions (UFBU) for talks, a top leader of All India Bank Employees' Association (AIBEA) said.

"The IBA has called the UFBU for a meeting in Mumbai on Aug 16 and the Chief Labour Commissioner has called us for a meeting in New Delhi on Aug 18," AIBEA General Secretary C.H. Venkatachalam told IANS.

The UFBU is an umbrella body of nine unions in the Indian banking sector. The UFBU has given notice of a nationwide strike on August 22 to protest reforms in the banking sector and other issues.

"**We have an open mind to resolve the issues. The same has to be reciprocated by the IBA and the central government,"** Venkatachalam added.

One of the biggest wilful defaulters in CBI net

Partha Sinha| TNN | Updated: Aug 13, 2017 TIMES OF INDIA

According to a list of wilful defaulters prepared by All India Bank Employees Association, as of March 2013, Varun Industries, along with its subsidiary owed Rs 1,242 crore to 10 government-owned banks

HIGHLIGHTS

- Kailash Agarwal, co-promoter of Varun Industries has been arrested by CBI
- Agarwal and his business partner Kiran Mehta had fled India after defaulting on payments
- Agrawal and Mehta allegedly cheated Indian Bank of Rs 330 crore besides another Rs 1,593 crore to a consortium of banks

MUMBAI:

Kailash Agarwal, co-promoter of Varun Industries, one of India's biggest wilful defaulters that owes banks and other lenders about Rs 2,500 crore, has been arrested by CBI from the airport last week.

Agarwal is on the list of top 10 wilful defaulters in the country. Agarwal and his business partner Kiran Mehta had fled India after defaulting on payments. On August 5, CBI arrested him when he landed from Dubai and a local court has remanded him in custody.

Agrawal and Mehta had allegedly cheated Chennai-based Indian Bank of Rs 330 crore besides another Rs 1,593 crore to a consortium of banks, led by Indian Bank. "He was absconding and evading the investigation, " said CBI spokesperson R K Gaur.

Officials stated that starting in 2007, Agarwal and Mehta availed loans from Indian Bank and other public sector banks, which went on till 2012. They began defaulting since 2013 and borrowed huge money from the market after pledging their shares, CBI said. Last year, on complaint of Indian Bank, the CBI had registered a case against Varun Industries, Agarwal and Mehta for criminal conspiracy, cheating and forgery.

According to a list of wilful defaulters prepared by All India Bank Employees Association, as of March 2013, Varun Industries, along with its subsidiary owed Rs 1,242 crore to 10 government-owned banks. In 2015, the company also became the first wilful defaulter in India.

Banks wary of Modi government's merger plan for fear of loss of brand name

BY DHEERAJ TIWARI, ET BUREAU | AUG 14, 2017,

NEW DELHI: The government is looking at consolidation of at least two state-run banks in this financial year, but some of the lenders identified for merger or takeover by bigger entities have expressed serious reservations on their identities being subsumed in the process.

The target banks are keen that their names survive the consolidation and they continue to have a strong role in business operations, officials said. Earlier this year, four state-run banks – Syndicate Bank, Canara Bank, Vijaya Bank and Dena Bank – made presentations to the finance ministry on their consolidation plans.

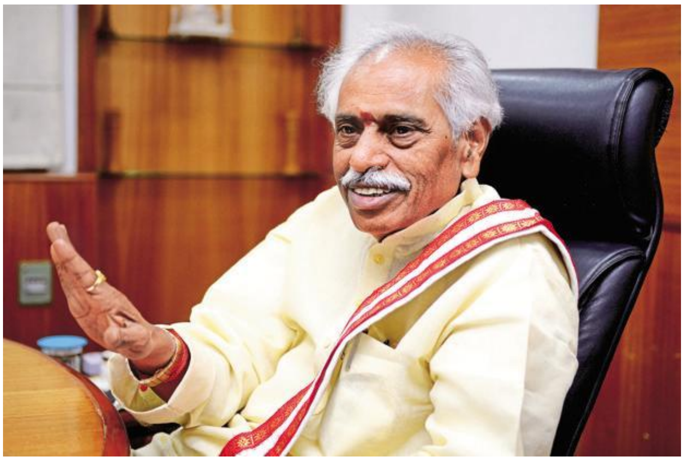
"We have worked out some combinations. This involves a larger bank taking over two smaller entities.

Also, there is a case for merging two smaller but strong banks. We can look at some hybrid names which retain characters of the both banks," said a government official, who did not wish to be identified.

The official cited the case of the merger between Centurion Bank and Bank of Punjab that led to the creation of a new entity, Centurion Bank of Punjab, which later merged with HDFC Bank in 2008.

Govt introduces wage code bill in Lok Sabha

The government today introduced wage code bill, which seeks to empower the Centre to fix a 'universal minimum wage' for unorganised sector workers, in the Lok Sabha



Labour minister Bandaru Dattatreya says the bill is going to bring in a historical change in the wages for workers and universal minimum wages will be implemented for the first time in India.

PTI, New Delhi: Thu, Aug 10 2017.LIVEMINT

The government on Thursday introduced in the Lok Sabha 'The Code on Wages' bill which seeks to empower the Centre to fix a "universal minimum wage" aimed to benefit over 40 crore unorganised sector workers.

'The Code on Wages' bill to consolidate and amend the laws relating to wages and bonus was introduced in the House by labour minister Bandaru Dattatreya.

The bill seeks to amalgamate four laws — Payment of Wages Act 1936, Minimum Wages Act 1948, Payment of Bonus Act 1965 and Equal Remuneration Act 1976.

"It is for simplification, rationalisation and making it less cumbersome. No way workers' right is being infringed... It is going to bring in a historical change in the wages for workers and universal minimum wages will be implemented for the first time in India," Dattatreya said.

The minister said he has held meetings with trade unions as well as labour secretaries and ministers from the states while drafting the bill. "40 crore unorganised sector workers can avail the universal minimum wage. The bill has a very large respective.

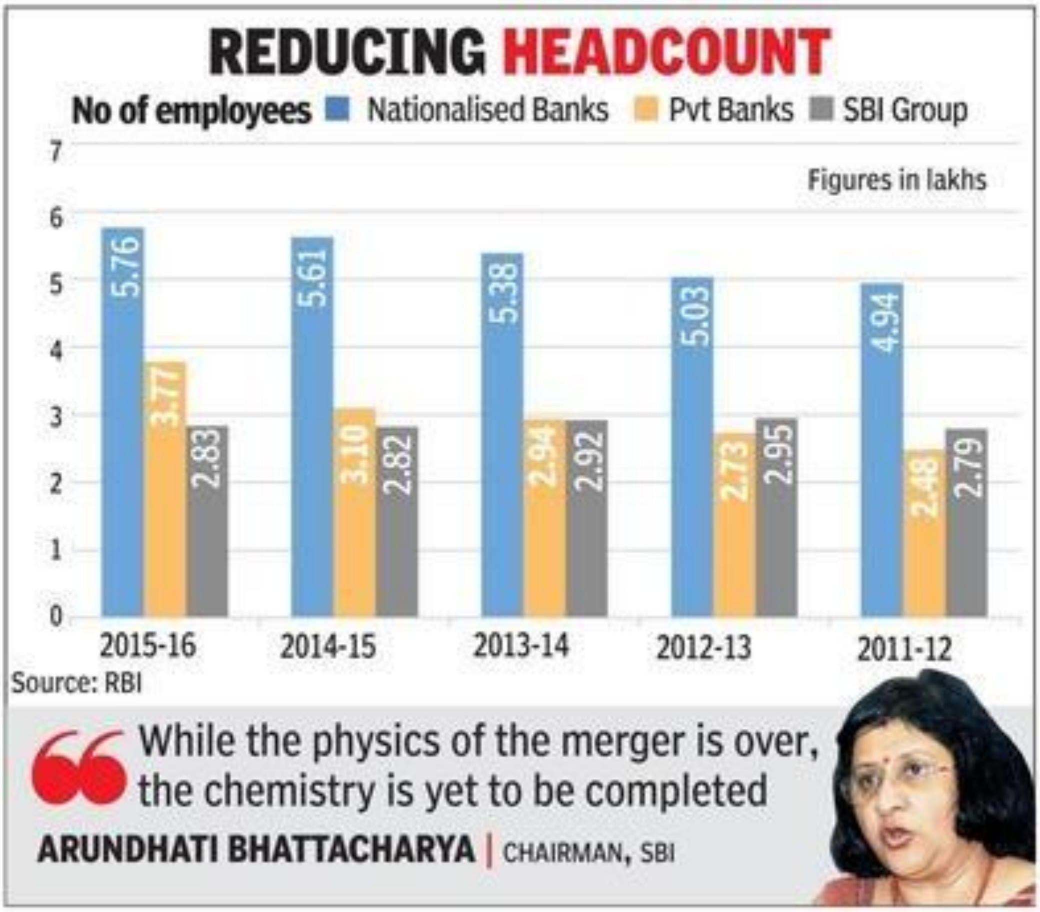
As far as workers' right is concerned, it is in no way exploitation of workers," Dattatreya said.

The bill would help generate employment and attract entrepreneurs, he said, adding that there were 44 labour laws which were being clubbed in four codes and the bill introduced today deals with the code on wages.

As N.K. Premachandran (RSP) opposed the introduction of the bill in such a short notice, the government sought to assuage the concerns saying the bill is being only introduced and discussion would take place later.

SBI cuts staff strength, looks to redeploy 10k

TNN | Updated: Aug 14, 2017, TIMES OF INDIA



MUMBAI: State Bank of India (SBI) has reduced its staff headcount by 6,622 in the first quarter of FY18 to 2.73 lakh from 2.80 lakh at the beginning of the quarter due to retirements and a voluntary retirement scheme. The bank now plans to redeploy over 10,000 employees following the merger of its associate banks and due to digitisation.

Consolidation of associate banks and a shift to digital channels for banking have set in motion a job restructuring process in one of the largest employers in the country. "While the physics of the merger is over, the chemistry is yet to be completed," said Arundhati Bhattacharya, chairman, SBI, referring to the integration process after the merger of balance sheet which came into effect from the first quarter.

A large part of the job restructuring is taking place on account of merger as the bank juggles its branch network to avoid having several outlets on the same street. SBI has merged 594 branches till August 6 and has rationalised 122 administrative offices. This in itself is expected to result in savings of over Rs 1,160 crore annually. The bank has entrusted a new entity—SBI Infra Management—the responsibility of managing its real estate assets.

SBI is also finding the need to rationalise due to digitisation within and outside the bank. For instance, the bank is redeploying staff in government service branches as the Centre is shifting most of its banking operations to portals. Private lenders like HDFC Bank have been reducing their headcount at a much higher pace even as they push digital transaction. HDFC Bank's staff strength has come down from 90,421 in December 2016 to 84,325 in March 2017.

In the first quarter of the current fiscal, the bank saw 7,247 employees exiting following retirements, including 3,569 employees of the erstwhile associate banks who were offered a voluntary retirement scheme. The bank had paid out Rs 473 crore ex gratia under this scheme which will result in salary savings of Rs 400 crore per annum. Of the staff redeployment planned by SBI, 2,000 will be because of shifting of administrative offices and another 8,618 due to branch rationalisation. Around 30% of the staff of rationalised branches will be redeployed in sales functions. The bank has introduced a new employee appraisal system where performers will receive financial incentives.

The total employees of SBI and associates as on March 31 was around 2.80 lakh. The number has been stagnant for a couple of years as there has been a hump in retirements of large number of employees hired during the '80s. As against the exits, the bank has hired only 625 staff members in the first quarter, taking the total headcount down to 2,73,181. The number could further drop as full year retirements in FY18 are expected to be around 15,460. The bank is recruiting specialists for digital space and marketing though not in large numbers.

The share of alternative (non-branch) channels in transactions has increased substantially from 76% a year ago to 80% on June 2017. The share of internet banking has increased from 24% to 30% of all transactions. Interestingly, ATM transactions are only 34% of transactions as against 43% a year ago.

SBI stares at giant stress; tough task cut out for Bhattacharya's successor

This glory of SBI has certainly come under a cloud after the first set of results post the merger of the five subsidiaries into Mother SBI.

Latha Venkatesh CNBC TV 14 8 17

moneycontrol

Let me start with a disclosure. I have always been an SBI admirer. The quality of its bankers and that of its numbers has always made this giant stand apart. The reference in the RBI, government and among bankers is SBI, and the PSU Banks, implying SBI is a class apart.

This glory of SBI has certainly come under a cloud after the first set of results post the merger of the five subsidiaries into mother SBI.

The first revelation is that at the end of FY17, the gross non-performing loans of the merged SBI was a huge 9.11 percent or 1.77 lakh crore.

Since we knew that solo SBI had GNPAs of only 6.9 percent, this means the subsidiaries came with over 20 percent NPAs, something the street was not at all aware of or prepared for.

Likewise for slippages. Every quarter in FY17, solo SBI generated about 10,500 crore of slippages. So, the total slippages for solo SBI for the year was Rs 43,374 crore. But when the combined slippages figure for SBI-plus-babies was put out on Friday for the entire FY17, it stood at a staggering 1.16 lakh crore. Which means the subsidiaries had generated nearly 73,000 crore of slippages in the 12 months of FY17, or nearly 19,000 crores quarterly.

It appears that the same has been true for Q1FY18. The merged entity has slippages of 30059 cr; assuming solo SBI maintained its run-rate of 10,000 cr of slippages a quarter, the subsidiaries must have generated a fresh bout of slippages of Rs 20,000 cr. Which means for every quarter of last year and for the first quarter of this year , the SBI subsidiaries are generating double the slippages as the parent with only 20 percent of as much advances as the parent.

Looking at it, another way, all through FY17 and in Q1 FY18, the subsidiaries ' GNPAs were 20 percent of their advances. This means the SBI subsidiaries were really no better than a United, UCO or an IOB. This is a shocking revelation.

Investors into SBI's Rs 15,000 cr QIP offer aren't going to be pleased. They probably expected that the subsidiaries won't be as good as the parent, but that they would rank among the weakest Indian PSU banks was certainly not public knowledge.

It is possible SBI itself was only slowly coming to terms with the quality of the books of its subsidiaries . It is also possible that SBI's management is being particularly severe in classifying bad assets of the subsidiaries so as to use the merger as a good opportunity to thoroughly kitchen sink and clean up the asset book. It is also possible that Bhattacharya still remembers the kitchen sinking post- OP Bhat's tenure and is determined not to have her hard work tarnished after she is gone.

Be that as it may, the real test comes hereafter. A crushing GNPA number of 10 percent can often sap the vitality and vigour of the rank and file. It can demoralize them into accepting the inevitability of large NPAs. One noticed that in several public sector senior bankers last year, many of whom seemed resigned to double digit NPAs.

Mergers with weaker entities can sometimes weaken the stronger entity. Oriental Bank of Commerce was counted among the best of breed until 2004. Its Chairman in that year , BD Narang was known for his fearlessness, intelligence and integrity- adjectives that one would associate as much with Bhattacharya. Yet, post the merger of Global Trust Bank in 2004, Oriental Bank never reached its previous glory.

Bhattacharya’s successor thus has a tough task. He will assume office even as the SEBI rule ordering companies to disclose default by even one day, kicks in (on October 1).

He will also have to negotiate a zillion complex cases through the as-yet unfamiliar alleyways of the bankruptcy process. It will fall on him to ensure the heartburns of merger don’t overwhelm the ranks and distract them form the huge tasks ahead of resolution and recovery.

He is a signatory to the tall promise of bringing down the slippage ratio to 3.3 percent by the year-end from 5.3 percent today.

One hopes, for the sake of the grand old institution, that he succeeds.

SBI Q1 profit falls 20%, asset quality worsens, gross slippages at Rs 30,059 cr

Deposits growth was strong at 13.28 percent at 26.02 lakh crore, with CASA deposits showing a healthy 23.62 percent increase YoY.

Aug 11, 2017 06:43 PM IST | Source: Moneycontrol.com

Country's largest lender State Bank of India reported a 20.4 percent degrowth in standalone profit at Rs 2,005.53 crore, dented by higher provisions. Asset quality including subsidiaries also worsened further.

Standalone net interest income grew by 22 percent to Rs 17,606.01 crore compared with corresponding quarter of previous fiscal.

The bank reported nearly three-fold jump in its consolidated profit at Rs 3,032 crore for the quarter ended June 2017 but net interest income declined 1.8 percent to Rs 19,323 crore YoY.

Standalone numbers include SBI and its associate banks (that merged from April 1, 2017) while consolidated numbers include banking as well as other businesses (insurance, other banking operations etc).

Net interest margin for the quarter declined sharply to 2.36 percent from 2.74 percent and domestic net interest margin fell to 2.5 percent from 2.93 percent on sequential basis.

Gross advances increased moderately by 1.46 percent year-on-year to Rs 18.86 lakh crore in June quarter, with retail loan growth of 13.31 percent, agri advances 1.69 percent, international growth 3.22 percent. Corporate & SME loan advances hurt overall loan growth, down by 4.35 percent.

Deposits growth was strong at 13.28 percent at 26.02 lakh crore, with CASA deposits showing a healthy 23.62 percent increase YoY.

"CASA ratio was healthy at 44.38 percent as on June 17, which increased from 40.67 percent as on June 16," the bank said.

Numbers missed analysts' expectations. Profit was estimated at Rs 2,485.3 crore and net interest income at Rs 18,767.2 crore for the quarter, according to average of estimates of analysts polled by CNBC-TV18.

Asset quality deteriorated further as gross non-performing assets increased 86 basis points to 9.97 percent and net NPA rose 78 basis points to 5.97 percent on sequential basis.

Gross NPA including associates banks rose 6.2 percent to Rs 1.88 lakh crore from Rs 1.77 lakh crore QoQ.

Bank's consolidated gross slippages for the quarter stood at Rs 30,059 crore and watchlist at Rs 24,444 crore (Rs 32,427 crore QoQ), Arundhati Bhattacharya, Chairwoman said while addressing press conference. Slippage from watchlist were at Rs 7,976 crore in Q1, she added.

Analysts have positive view on the stock and said investors should not worry about these numbers.

"Slippages are slighly on higher side, which may be included account from consumer electronics segment, that is why numbers are elevated. Gross non-perfoming assets are also slightly higher than our expectations," Manish Agarwalla, PhillipCapital.

Bhattacharya expects slippage ratio to decline from 5.38 percent in Q1FY18 to below 3.3 percent for FY18.

"Slippages for agri, SME & retail segments are expected to be at Rs 30,432 crore in FY18 against Rs 17,886 crore in Q1 and recovery for these segments is seen at Rs 16,790 crore in FY18 against Rs 2,988 crore in Q1," she said.

She expects credit cost below 2.25 percent for FY18 against 2.48 percent in Q1 and net interest margin to improve by 10-15 basis points from current levels.

Upgradation for the quarter stood at Rs 2,034 crore and recoveries at Rs 4,646 crore while write-offs were at Rs 13,176 crore.

Standalone provisions for non-performing assets in Q1 stood at Rs 12,125.3 crore, higher by 10.3 percent on sequential basis and 91.3 percent on year-on-year basis.

Standalone other income (non-interest income) during the quarter increased 11 percent to Rs 8,006 crore while operating profit rose 7.4 percent to Rs 11,874 crore compared to same quarter last year.

At 13:25 hours IST, the stock price was quoting at Rs 284.65, down Rs 11.90, or 4.01 percent amid high volumes on the BSE.

Fall of another behemoth? SBI could be the Air India of banking

BY BLOOMBERG AUG 14, 2017, By Andy Mukherjee/ECONOMIC TIMES

When Gadfly suggested last year that Indian banks, hobbled by bad loans, should stop lending to preserve depleted capital, we didn't expect the country's largest lender to fall for the joke.

It has. On Friday, State Bank of India, which just became bigger after a merger with some smaller associated lenders, reported a meager 1.5 percent increase in loans outstanding at the end of the June quarter from a year earlier, practically hitting stall speed.

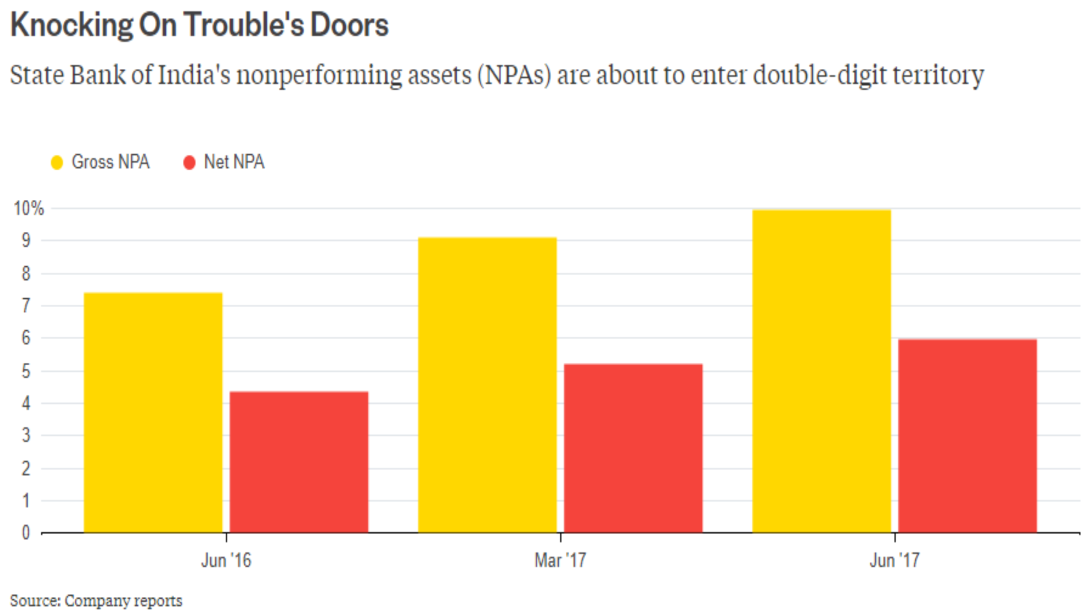
To the extent that credit growth at SBI is a barometer of animal spirits in the country, the message to investors is a somber one. At a price-to-equity ratio of 23, the benchmark Nifty index is expensive; and given that SBI just earned a return on assets of 0.25 percent, bank shares look particularly frothy.

CEO Arundhati Bhattacharya inherited a miserable portfolio of dubious corporate loans, which post-merger have swelled to almost 10 percent of the total.

If that wasn't enough, Bhattacharya was knocked off balance by the deposit tsunami unleashed by the government's move to declare 86 percent of the country's currency illegal in one fell swoop last November. A 4 percent year-on-year increase in deposit costs during the quarter, combined with an 8 percent decline in interest income on advances, shows the squeeze she's facing.

To her credit, Bhattacharya managed to boost consolidated earnings by 436 percent. But nobody is going to even look at the measly 20 billion rupee ($312 million) profit number when SBI has yet to provide for 300 billion rupees out of its 500 billion rupees exposure to 12 soured large corporate accounts.

SBI's exposure to 12 soured corporate accounts: 500 billion rupees
To this, add a spike in SBI's nonperforming agricultural loans, which could get worse if more Indian state governments resort to waiving distressed farm debt. SBI shareholders, including the government, should brace themselves for a long, dark night ahead.



Retail lending is the only bright spot. Trouble is, more nimble, non-state-controlled players are thinking the same thing. With ICICI Bank Ltd. launching an instant credit card for pre-approved customers, SBI will have to focus its energy on a multi-cornered fight in home loans. The pressure on net interest margins, which have tumbled to 2.5 percent, will intensify as specialist SME lenders drive down yields further.

For a bank that gets 23 percent of India's domestic deposits without having to make much effort, not being able to lend profitably is frustrating. That's why SBI slashed rates on small savings recently without even waiting for the central bank to reduce its policy benchmark. By contrast, Kotak Mahindra Bank Ltd. jumped up and announced that it won't follow the SBI's lead because it values its relationship with the middle class.

Lending is already toast. If the formidable deposit franchise also comes under pressure, then SBI will only exist as a parking lot for its 280,000 employees -- 70,000 more than before the merger. That'll make it the Air India Ltd. of banking -- a bloated state behemoth, minus the planes.

AIBEA THIS DAY – 12 AUGUST	
1946	49 Days Strike starts in Imperial Bank of India, Calcutta with AIBEA support.
1950	Sen Award Published.
1993	A.P. High Court vacates stay of AIBOC/NCBE writ on Pension Scheme.
1994	Protest demonstrations against Government inaction on JPC Report, by AIBEA and AIBOA.
2004	All India Dharna – 7th B P Demands

AIBEA THIS DAY – 13 AUGUST	
1964	Government intervenes through Tripartite meetings on our wage demands.
1970	Com. K K Mundal, P L Syal and Sushil Ghosh visit USSR on behalf of AIBEA.
1999	Emergency Central Committee meeting of AIBEA at Hyderabad on 7th Bipartite strategies.

AIBEA THIS DAY – 14 AUGUST	
1946	Brutal lathi charge on striking employees in Imperial Bank of India at Calcutta
1964	Government convenes Tripartite meeting on work to rule movement and wage revision demands.

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in