BANKING WATCH

UNION BANK CUTS MCLR

Mumbai: Union Bank of India on Saturday announced reduction in its marginal cost of funds-based lending rate (MCLR) by up to 15 basis points across various tenors, effective September 1. This is the third rate cut by the state-owned lender since June 2019. **PTI**

TREND LIKELY TO CONTINUE IN SECOND HALF OF CURRENT FINANCIAL YEAR

Railways starts to feel slowdown; freight movement of coal, cement slip

As of the fiscal ended March 31, 2019, Railways carried 1,223 million tonnes of freight

AVISHEK G DASTIDAR
NEW DELHI, AUGUST 31

RAILWAYS, WHOSE freight loading is often regarded as the indicator of the health of the economy, has started feeling the pinch this August. Its freight movement of coal has dipped significantly, while that of cement, clinker and other goods have hit a slowdown.

There has been a shortfall in loading in August to the tune of around 3,000 wagons per day, all commodities combined — the chief among them being coal from Coal India, as it is also the largest in volume that the Railways carries.

Earlier in August, the wagon shortfall had hit a low of even 5,000 per day. Officials said that parlays with Coal India have not been able to provide a hugely optimistic projection either. The number of rakes (train of wagons) carried per day in August has fallen by around 43.

"Since Railways survives on derived demand in the economy, there seems to be less demand in key commodities. This was the mood all along, but this month it has begun to reflect in the numbers," said a senior government official.

Usually, coal loading figures see a dip in monsoon, but officials said there is no projection of things getting drastically better from the customer side even after rainy season.

While coal loading in August last year was 253 rakes per day, the average for this August has sunk to 216 rakes per day. It is said that most thermal power plants already have a stockpile of coal and are not really keen to move too much in.

Informal interactions with sources at power plants have indicated that distribution companies, or discoms, are not generating enough demand for power — one of the classic indicators of a tepid economy.

Cement and clinker — which saw the highest ever loading figures of 114 million tonnes last fiscal — is plateauing too, with August figures projected to be more or less the same as last year, around five million tonnes, while volume of clinker is estimated to see a slight decline.

Foodgrains are also being carried below projections, leading to an overall gloom in the freight business this month.

There have been internal talks of extending tariff-related incentives to large customers to boost loading; however, so far no one has been able to offer assured quantity loading in large volumes that could make such a move worthwhile for Railways.

As of the fiscal ended March 31, 2019, Railways carried 1,223 million tonnes of freight. The transporter always carries more freight than the previous year even if by a slim margin.

Officials said that if this trend continues in the second half of the 2019-20 financial year, keeping that record intact might also prove to be a challenge.

COAL LOADING SEES SIGNIFICANT SHORTFALL

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CAPITAL INFUSION OF UP TO ₹16,500 CR BY GOVT TO BE TAKEN UP TOO

PNB to consider merger with OBC, United Bank at Sept 5 board meeting

PRESS TRUST OF INDIA
NEW DELHI, AUGUST 31

PUNJAB NATIONAL Bank (PNB) on Saturday said its board of directors will meet on September 5 to consider the state-owned lender's merger with Oriental Bank of Commerce and United Bank of India.

In a filing to BSE, the bank said that "the meeting of board of directors of the bank is scheduled to be held on 5th September, 2019" for considering some key agenda.

The board will meet to "consider the amalgamation of the Oriental Bank of Commerce and United Bank of India into Punjab National Bank", the PNB statement added.

Besides, the board will also consider capital infusion of up to Rs 16,500 crore by the government by way of preferential issue of equity share and fixing date of extraordinary general meeting (EGM) for obtaining shareholders' approval in this regard at a price determined in terms of SEBI (ICDR) Regulations, the bank's filing said.

Meanwhile, Corporation Bank, which is going to be merged with Union Bank of India along with Andhra Bank, too said a board meeting will be held to consider the merger.

In a stock exchange filing, it said "a meeting of the Board of Directors of the Bank to consider the amalgamation will be convened by the Bank in due course".

The government on Friday unveiled a mega plan to merge 10 public sector banks into four, as part of plans to create fewer and stronger global-sized lenders as it looks to boost economic growth from an over six-year low.

Finance Minister Nirmala Sitharaman — who had last week announced tax sops and measures for sectors such as auto — announced four new sets of mergers: Punjab National Bank, Oriental Bank of Commerce and United Bank of India will combine to form the nation's second-largest lender; Canara Bank and Syndicate Bank will merge; Union Bank of India will amalgamate with Andhra Bank and Corporation Bank; and Indian Bank will merge with Allahabad Bank.

The exercise, seen together with the previous two rounds of bank consolidation, will bring down the number of nationalised public sector banks to 12 from 27 in 2017. This, the government feels, will make bank balance sheet stronger with greater capacity to lend.

Five out of ten lenders, which are part of the mega consolidation exercise, have stated that their boards will convene shortly to take decision on the amalgamation.

Andhra Bank in a BSE filing said that it has received a communication from Ministry of Finance to the effect that the alternative mechanism, in consultation with the Reserve Bank of India, has decided that Union Bank of India, Andhra Bank and Corporation Bank may consider the amalgamation of Andhra Bank and Corporation Bank into Union Bank of India.

"Accordingly, a meeting of the Board of Directors to consider the amalgamation will be convened by the bank in due course," it said.

United Bank of India and Allahabad Bank too in separate filings informed that their boards of directors would meet to consider the amalgamation.

EXPLAINED

Stronger balance sheets of PSBs is underlying aim

WITH THE government having announced on Friday its plan to merge 10 public sector banks into four, the boards of five of these banks have issued filings to set in motion the amalgamation process.

The merger of these banks into fewer, larger lenders is part of the government's measures boost an economy which is experiencing slowdown. This is the third round of PSB mergers, which was initiated by the NDA government in 2017, and is expected to make their balance sheets stronger.

BRIEFLY

Govt accepts SBI MD's resignation

New Delhi: The government has accepted the resignation of State Bank of India's (SBI) Managing Director Anshula Kant, following her appointment as MD and chief financial officer of the World Bank. "The government hereby accepts the resignation of Anshula Kant, Managing Director of the bank, with effect from August 31 in relaxation of the notice period," SBI said in a BSE filing. As MD and CFO, Kant will be responsible for financial and risk management of the World Bank Group.

AI fuel supply may be cut at 2 more airports

Mumbai: Flight services of Air India might be hit partially following the IOC-led oil marketing companies (OMCs) threatening to suspend fuel supplies at two more airports — Hyderabad and Raipur — over non-payment of dues, according to a source privy to the development. The three state-owned OMCs — Indian Oil Corporation, Hindustan Petroleum Corp Ltd, and Bharat Petroleum Corp Ltd — have already stopped supplying fuel to Air India flights at Pune, Vizag, Cochin, Patna, Ranchi and Mohali since August 22. An Air India spokesperson refused to comment.

Federal Bank to link deposit rate with repo rate

Mumbai: Federal Bank on Saturday announced linking of its savings deposit rate to external benchmarks, becoming the first private sector lender to initiate such a move. The Reserve Bank has been cajoling banks to move their interest rates to external benchmarks like its repo rate at which it lends to the system, in order to accelerate transmission of its policy actions. Federal Bank said from September 1, its savings deposits up to Rs 2 lakh will earn interest in tandem with the repo rate.

Curbs put on imports of agarbatti

New Delhi: The government on Saturday put restrictions on imports of agarbatti and other similar products amidst report of significant increase in inbound shipments from countries like China and Vietnam, the Directorate General of Foreign Trade said. **PTI**

Several PPI issuers penalised in last five yrs

The list of Prepaid Payment Instrument (PPI) issuers, banks and Cross border Money Transfer (in-bound only) operators, found in violation of regulatory guidelines in last 5 years, as apprised by Reserve Bank, is as follows:

ENTITIES PENALISED FOR VIOLATING REGULATORY GUIDELINES

Name of the Entity	Date of the order	Penalty (in Rs)
Eko India Financial Services Private Limited	March 9, 2017	5,00,000/-
My Mobile Payments Limited	October 22, 2018	1,00,00,000/-
Phonepe Pvt Limited	February 14, 2019	1,00,00,000/-
Y-Cash Software Solutions Private Limited	February 22, 2019	5,00,000/-
Vodafone m-pesa Limited	March 06, 2019	3,05,00,000/-
GI Technology Private Limited	March 26, 2019	1,00,00,000/-
ZipCash Card Services Pvt Ltd	April 22, 2019	11,25,000/-
Yes Bank Limited	April 22, 2019	11,25,000/-
One Mobikwik Systems Pvt Ltd	May 17, 2019	15,00,000/-
Hip Bar Private Limited	May 24, 2019	10,85,000/-
Western Union Financial Services Inc	April 20, 2018	29,66,959/-
MoneyGram Payment Systems Inc	—	10,11,653/-

AS PER RBI'S master direction dated October 11, 2017 (updated on December 29, 2017 and on February 25, 2019) on 'Issuance and Operation of PPI', including Mobile wallets, PPI issuers are to have a strong Risk Management system, for the safety and security of the payments systems operated by them and to put in place formal, publicly disclosed customer grievance redressal framework

FURTHER, RBI'S CIRCULAR dated January 4, 2019 on 'Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Payment Transactions in PPIs issued by Authorised Non-banks', inter alia, stipulates "Zero Liability of a customer" where the unauthorised electronic payment transaction through a PPI occurs due to contributory fraud/negligence/ deficiency on the part of the PPI issuer, irrespective of whether or not the transaction is reported by the customer or due to third party breach

MOREOVER, THE PPI issuer is mandated to credit the amount involved in such transactions to the customer's PPI within ten days from the date of such notification by the customer

'GDP slump signals deceleration in investment, consumption'

PRESS TRUST OF INDIA
NEW DELHI, AUGUST 31

INDIA'S ECONOMIC growth dropping to an over six-year low of 5 per cent in April-June 2019 is indicating a "significant deceleration" in both investment and consumer demand, industry body Ficci said on Saturday.

Expressing "deep" concerns over sluggishness in the growth momentum, Ficci President Sandip Somany said "the latest GDP growth numbers are below expectations and point towards a significant deceleration in both consumption and investment demand." He, however, hoped that a series of measures being taken by the government and the central bank to reverse this slowing trajectory would help improve economic situation in the subsequent quarters, according to a Ficci statement.

"The mega bank consolidation plan, liberalisation of FDI guidelines and the stimulus package are comprehensive and address the key pain areas of the economy," he added.

With a mix of both broader measures and sector specific interventions, the Indian economy and the industry would come out of this weak patch soon, he said.

The PHD Chamber of Commerce and Industry said the recent economic reforms undertaken by the Centre and RBI will create a strong and resilient economic environment in the country and rejuvenate GDP growth rate in the coming quarters.

PHDCCI President Rajeev Talwar said: "The big ticket economic reforms including recapitalisation of public sector banks, rollback of enhanced surcharge on foreign portfolio investors, payment of all pending GST refunds to MSMEs...are inspiring and would go a long way to foster strong, stable and inclusive growth environment in the country."

Going ahead, he said, further reforms in ease of doing business at the ground level especially for the small and medium sized businesses along with desired reforms in labour laws such as fixed term employment for flexibility in hiring by industry across the states would be crucial to strengthen the manufacturing sector.

india's economic growth has slumped for the fifth straight quarter to an over six-year low of 5 per cent in the three months ended June as consumer demand and private investment slowed amid deteriorating global environment. Having lost the tag of the world's fastest-growing economy earlier this year, India's GDP growth was behind China's 6.2 per cent in April-June.

"The mega bank consolidation plan, liberalisation of FDI guidelines and the stimulus package are comprehensive and address the key pain areas of the economy"

SANDIP SOMANY
PRESIDENT, FICCI

Pradhan discusses areas of cooperation with Russia

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 31

UNION PETROLEUM and Natural Gas Minister Dharmendra Pradhan met with Russian Energy Minister Alexander Novak in Moscow on Friday, with the two reviewing the current status of cooperation and identified various opportunities in which to increase their engagement.

Pradhan had reached the Russian capital on August 29, as part of his two-day visit on the invitation of Novak.

During the visit he held a series of high-level bilateral engagements with Russian Government and private sector entities from energy and steel sectors.

During the ministers' discussion, diverse issues including mutual investment in each other's countries, building robust energy relationships, protecting both energy producers and consumer etc were taken up. Further, representatives from oil and gas companies of both countries from public and private sectors were also a part of the discussions.

The two Ministers stated their support for increasing energy relations and welcomed the initiatives of the companies which have resulted in the energy sector becoming one of the important pillars of India-Russia relations.

After chairman, CG Power sacks CFO VR Venkatesh

PRESS TRUST OF INDIA
NEW DELHI, AUGUST 31

AFTER REMOVING founder Gautam Thapar as chairman of the company, the board of fraud-hit CG Power and Industrial Solutions has sacked the firm's CFO VR Venkatesh over alleged "misconduct" and breach of trust.

The board of the company at its meeting on Friday "terminated the employment of VR Venkatesh as the Chief Financial Officer of the company, for cause, with immediate effect," CG Power said in a regulatory filing.

"The termination of the employment of Venkatesh is due to the grave nature of the misconduct and breach of trust on his part and having knowingly undertaken actions which were detrimental to the interests of the company and its stakeholders," it said. Venkatesh could not be contacted for comments.

Company CEO and Managing Director KN Neelkant, who was sent on leave on May 10 by the board to enable proper investigation into financial irregularities, continues in his role for now.

On August 29, the board has removed Thapar as the chairman of the company through a circular resolution approved by a majority of the members.

RULING OUT ANY POSTPONEMENT, PRESIDENT DONALD TRUMP FRIDAY SAID 'THEY'RE ON'

US going ahead with new tariffs on Chinese imports

AGENCE FRANCE-PRESSE
WASHINGTON, AUGUST 31

The new tariffs will target a range of products, from foodstuffs (ketchup, butchered meat, pork sausage, fruits, vegetables, milk, cheese) to sports equipment (golf clubs, surf boards, bicycles), to musical instruments, sportswear and furniture, according to an official list

WASHINGTON IS moving ahead Sunday with new tariffs on Chinese imports as it steps up a high-pressure campaign aimed at coercing Beijing to sign a new trade deal, amid fears of a further slowing of US and world growth.

The additional 15 per cent tariffs, affecting a portion of the $300 billion in goods from the Asian giant that so far has been spared, will take effect at 04H01 GMT, according to the US Trade Representative's office.

President Donald Trump on Friday ruled out any further postponement. "They're on," he told reporters.

The new tariffs will target a range of products, from foodstuffs (ketchup, butchered meat, pork sausage, fruits, vegetables, milk, cheese) to sports equipment (golf clubs, surf boards, bicycles), to musical instruments, sportswear and furniture, according to an official list.

Economists at the Washington-based Peterson Institute for International Economics estimate $112 billion in goods will be affected.

The trade war touched off by Trump more than a year ago received its latest jolt last week with the US announcement that all Chinese goods would be subjected to tariffs by the end of this year.

More than $250 billion worth of China's $540 billion in exports to the US (2018 figure) are already subject to tariffs.

Trump's announcement earlier this month drew a retaliatory move from Beijing, which said it would target $75 billion in US goods, beginning in part on September 1.

Hundreds of US companies and professional groups have appealed to the Trump administration to postpone the new tariffs, saying they would destroy jobs and place a burden on consumers.

But on Friday, the Republican president, already campaigning for a second term, said those complaining were themselves partly at fault.

"Badly run and weak companies are smartly blaming these small Tariffs instead of themselves for bad management," he tweeted. "...and who can really blame them for doing that? Excuses!"

Days earlier, Trump caused widespread consternation when he tweeted "I hereby order" American companies to stop doing business with China, sparking both doubts and derision. His aides quickly sought to dial it back.

The president launched his trade war in March 2018, demanding that China end practices widely seen as unfair, such as forced technology transfers from US firms and the massive subsidies given Chinese enterprises.

While the strategy is clearly weighing on the Chinese economy, it has produced few positive results.

A further round of tariffs could sharply cut Chinese growth, the International Monetary Fund recently predicted, and continuing tensions could spark a global slowdown.

Yet Chinese leaders have shown little inclination to give in.

Trade negotiations have been at an impasse for months.

At the recent G7 meeting in France, Trump spoke of new communications between US and Chinese negotiators - giving financial markets a brief boost - but China's foreign ministry said it was unaware of such contacts.

While the US president insists the American economy has been unaffected by the trade war, he has identified a culprit should things slow down: the Federal Reserve.

For now, the US economy is doing well, to judge by GDP growth and a still-low inflation rate.

But the trade war has clearly weighed on company investment practices and consumer confidence - which in August marked its sharpest decline since December 2012, according to a University of Michigan study.

China's factory activity shrinks for fourth month

ROXANNE LIU & DOMINIQUE PATTON
BEIJING, AUGUST 31

FACTORY ACTIVITY in China shrank in August for the fourth month in a row as the United States ramped up trade pressure and domestic demand remained sluggish, pointing to a further slowdown in the world's second-largest economy.

Persistent weakness in China's vast manufacturing sector could fuel expectations that Beijing needs to roll out stimulus more quickly, and more aggressively, to weather the biggest downturn in decades.

The Purchasing Managers' Index (PMI) fell to 49.5 in August, China's National Bureau of Statistics said on Saturday, versus 49.7 in July, below the 50-point mark that separates growth from contraction on a monthly basis.

A *Reuters* poll showed analysts expected the August PMI to stay unchanged from the previous month.

The official factory gauge showed growing trade frictions with the United States and cooling global demand continued to wreak havoc on China's exporters.

Export orders fell for the 15th straight month in August, although at a slower pace, with the sub-index picking up to 47.2 from July's 46.9.

Total new orders - from home and abroad - also continued to fall, indicating domestic demand remains soft, despite a flurry of growth-boosting measures over the past year.

"Frontloading of exports to the US ahead of higher tariffs supported trade and overall activity growth, but this effect will likely fade in the next few months," said analysts at Goldman Sachs in a note.

Manufacturers in consumption-oriented industries such as the auto sector have been especially vulnerable. Carmakers such as Geely and Great Wall have slashed expectations for sales and profits. **REUTERS**