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Dear Comrades,

25th October , 2016

News of Interest 25th Oct

QUOTE OF THE DAY

“YOU NEED TO OVERCOME THE TUG OF PEOPLE AGAINST YOU AS YOU REACH FOR HIGH GOALS. “

GEORGE S. PATTON

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Financial Express

1. Finance Ministry asks PSUs to explore taking over stressed projects

In a strong message to corporate loan defaulters, the finance ministry on Monday asked PSUs such as NTPC, Steel Authority of India and Cochin Shipyard to explore taking over some stressed projects in their respective sectors as current promoters are lax or unable to repay debt.

By: FE Bureau

In a strong message to corporate loan defaulters, the finance ministry on Monday asked PSUs such as NTPC, Steel Authority of India (SAIL) and Cochin Shipyard to explore taking over some stressed projects in their respective sectors as current promoters are lax or unable to repay debt.

The Reserve Bank of India has been stressing on improving operational efficiency of companies whose loan accounts have gone sticky through induction of new owners or managers.

After a meeting with top bankers and government officials here, finance minister Arun Jaitley said: "The agenda for today's meeting was whether in some cases, we can also have management team of successful PSUs in certain sectors to operate, at least in the interim, some of the plants."

FE had reported earlier the government's move to prod large PSUs with ample cash reserves and surpluses to pick up equity and manage 25,000 MW private power projects languishing for want of power purchase agreements with discoms.

The government's move would involve banks invoking their powers under loan contracts to convert some part of debt into equity to take over management control from the current owners. Banks have not been able to find alternative promoters under the tools provided by RBI. Once the banks take over the stranded projects, a new management team could be put in place by roping in retired officers of PSUs with relevant expertise, Jaitley said.

Besides officials of the finance ministry and the prime minister's office, the meeting on measures to resolve stressed assets in these three sectors was also attended by power secretary PK Pujari, shipping secretary Rajive Kumar and steel secretary Aruna Sharma.

NTPC chairman Gurdeep Singh, Cochin Shipyard chairman Madhu S. Nair and SAIL chairman PK Singh also took part in the meeting.

The banking industry was represented by Indian Banks' Association chairman Rajeev Rishi (chairman of Central Bank of India), SBI chairman Arundhati Bhattacharya and ICICI Bank managing director Chanda Kochhar.

The stressed assets (gross NPA and restructured loans) of public sector banks rose from Rs. 7.46 lakh crore (14.62% of gross advances) as on March 2016 to Rs. 7.83 lakh crore (15.74%) as on June 2016.

Bulks of the stressed loans are in the infrastructure sectors such as power, steel and shipping. Dwelling on resolution of non-performing assets, RBI had said: "Creative search for new management teams, including the possible use of public sector firms or private sector agents, is necessary, as are well-structured performance incentives such as bonuses for meeting cash flow/ profit benchmarks and stock options."

"The administrative ministries will now discuss with PSUs under them to take over such projects as the government is of the view that NPA resolution under current managements looks bleak," a senior official who attended the meeting told FE. Banks have become very cautious in lending to sectors that have been worst affected by the surge in NPAs in the past few years.

It is estimated that loans of about R1 lakh crore to the power generation firms are under stress. In the power sector, the country added an average of 20,000 MW annually to its thermal power capacity over the last five years. But lower-than-projected growth in demand, fuel shortage and the inability of debt-laden power

distribution companies to enter into new long-term power purchase agreements have left a sizeable portion of these new capacities stranded.

According to an estimate, a total of 25,000 MW capacity — commissioned or under-construction — is lying idle for want of buyers or assured fuel supply agreements. Tenders for just 11,000 MW have been floated by the states since 2011 for new PPAs.

2. Supreme Court poser to RBI: Why not reveal names of large loan defaulters

The Supreme Court on Monday asked RBI as to why the names of 57 large borrowers, who have defaulted on bank loans worth a whopping Rs 85,000 crore should not be made public.

By: FE Bureau

The Supreme Court on Monday asked RBI as to why the names of 57 large borrowers, who have defaulted on bank loans worth a whopping Rs 85,000 crore should not be made public.

A bench headed by Chief Justice TS Thakur, after perusing a report submitted by RBI in a sealed cover, said individually, these borrowers had taken loans of Rs 500 crore or above.

“Who are these people who have borrowed money and are not paying back? Why this fact that the person has borrowed money and not paying back be not known to public? And if the bar is lowered below Rs 500 crore and above Rs 100 crore, the default amount would cross over Rs 1 lakh crore,” the bench said.

Observing that if people file an RTI query, “there should be no confidentiality. Let us know how many people owe how much money to these public sector banks. Why should you withhold the information? How does it affect you? It should concern the borrowers and the banks. How does RBI has any problem?” the CJI asked RBI while posting the matter for further hearing on the issue on Friday.

The government told the apex court that a five-member high-level committee was constituted by it pursuant to the April orders asking the finance ministry to inform about the mechanism in place and the steps being taken to recover huge non-performing assets (NPAs) of the nationalised banks.

Solicitor general Ranjit Kumar said the panel which comprises the RBI executive director and other brass of public sector banks is likely to submit its report by October-end. The panel is looking into the 11 issues formulated by the petitioner. The issues include: whether RBI can refuse to disclose information about defaulted loans, suits filed for recovery of loans, restructured loans, debts written off, wilful defaulters, one-time-settlement, sales of assets of companies to Asset Reconstruction Companies etc, what mechanisms are required to ensure that banks obtain adequate security for the loans that they give to the companies/corporates and whether the personal guarantees of the promoters should be required to be taken in loans given to the corporates.

The apex court had earlier expressed concern over the growing amount of loans not being returned and said “people are taking thousands of crores and running away by declaring their companies insolvent, but poor farmers who take small amounts of Rs 20,000 or Rs 15,000 suffer”. The bench had expressed surprise that no concrete steps had been taken for recovery of loans from the defaulters.

Advocate Prashant Bhushan, appearing for NGO Centre for Public Interest Litigation (CPIL), favoured disclosure of the outstanding loan amount and cited an apex court verdict of December 2015 to claim that RBI has to provide all information. Bhushan cited the RBI data that showed Punjab National Bank writing off over Rs 8,500 crore in the last two years, while PNB has denied writing off any loan during this period. Similarly, while the Bank of India claimed the bank wrote off more than Rs 17,700-crore loans in the last two years, RBI figure stood at Rs 2,567 crore.

While hearing the PIL by CPIL, the SC had in March taken suo motu cognizance of a newspaper report that Rs 1.14 lakh crore of bad loans had been written off by state-owned banks between 2013 and 2015.

The petition which was filed in 2003 by the NGO had originally raised the issue of loans advanced to some companies by state-owned Housing and Urban Development Corporation (Hudco). The plea had said about Rs 40,000 crore of corporate debt was written off in 2015.

3. Ease of doing business: India banks on 'remarkable work' to improve World Bank ranking

As the World Bank looks set to release its annual ranking of countries in the ease of doing business later this week, India expects to improve its position from last year's 130 out of 189 economies.

By: [Banikinkar Pattanayak](#)

As the World Bank looks set to release its annual ranking of countries in the ease of doing business later this week, India expects to improve its position from last year's 130 out of 189 economies. The optimism stems from the fact that, for a second straight year, the country expects its ranking in "getting electricity" to improve substantially on the back of some "remarkable work" done by states, a senior government official told FE.

Last year, India was placed at 70 of the 189 countries in "getting electricity", compared with 99 in the previous year. This had helped the country improve its ranking by 4 notches.

The government also believes that its "targeted intervention" to improve performance in difficult parameters — including dealing with construction permits and enforcing contracts — where the country has been faring badly for years now will start to pay, the official said.

So while it will take some time to correct the course in certain legacy issues, especially in enforcing contracts, the DIPP believes the much-improved performance of states will be reflected in the country's ranking for the years to come.

For instance, while only two states (Gujarat and Andhra Pradesh) had scored over 70% in a 98-point action plan for the ease of doing business — jointly decided by them and the Centre — last year, as many as 16 states have scored over 70% so far this year, that too on a 340-point action plan, showed the latest data by the Department of Industrial Policy and Promotion (DIPP). Importantly, 10 states have scored over 90% so far this year (Andhra Pradesh and Telangana top the charts in 2016, each scoring over 99%).

The latest ranking of the World Bank takes into account reforms done up to the end of May, except in case of taxation.

The performance in access to electricity has been impressive, the official said. For instance, in Mumbai, the time required for getting a new electricity connection has

been reduced to an average of around 15 days from 67 days earlier. The number of procedures involved has been cut down to just 3 from 7.

Similarly, in Delhi, people can get connections in just 15 days now from as many as 140 days a few years earlier. The number of documents required has been reduced to just 2 from 7 earlier. Access to electricity is crucial as it also has bearing on performance in some other aspects of the ease of doing business.

Similarly, in "dealing with construction permits", where the country was ranked at 183 of the 189 countries, the performance has improved. For example, in a city like Delhi which has traditionally fared badly in handling construction permits, the documents required for this purpose has now been cut to just 14 from 39 earlier. Nine departments involved in the process of the sanction of buildings have been integrated online. The drawing of the construction plan is "auto-checked" by a software and no site inspection is necessary. Reforms on this parameter have been even quicker in other parts of the country.

On enforcing contracts in which India was placed at 178, the government has decided to set up commercial courts in a big way after the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill was signed into a law on January 1.

Business Standard

4. Salaried taxpayers to get SMS alert on TDS

Arun Jaitley has launched the service. Central Board of Direct Taxes or CBDT will soon offer this facility on a monthly basis

Arup Roychoudhury & Dilasha Seth

The income-tax department will now send SMSes to salaried taxpayers on their tax deducted at source or TDS.

Finance Minister Arun Jaitley on Monday launched the service. Central Board of Direct Taxes or CBDT will soon offer this facility on a monthly basis.

Jaitley said the salaried class cannot afford to pay tax twice or indulge in litigation; hence they should be updated on TDS.

"So, they can match the office salary slip and the SMS and at the end of the financial year be clear about any possible tax dues," Jaitley said.

He asked CBDT to take grievance redressal system for TDS mismatch online. Jaitley said e-Nivaran is working well for taxpayers and CBDT is taking several taxpayer-friendly initiatives.

CBDT will soon extend this SMS facility to another 44 million non-salaried taxpayers. "The frequency of SMS alerts will be increased, once the process for filing TDS returns is streamlined to receive such information in real time," CBDT said.

CBDT Chairperson Rani Singh Nair said the tax department is encouraging people to register their mobile number on the electronic-filing website.

She said taxpayers will initially receive a welcome message from CBDT informing them about the facility; after that, each assessee would be sent messages informing them about their TDS.

In case of a mismatch, they can contact their deductor for necessary correction.

Besides, SMS alerts will also be sent to deductors who have either failed to deposit taxes deducted or failed to e-file TDS returns by the due date.

5. Equitas SFB to add 409 branches by June 2017

The company is expected to invest around Rs 120 crore in branch infrastructure, said Equitas MD

T E Narasimhan

Equitas Small Finance Bank (ESFBL) has said it started operations with three new liability branches. Plans are underway to add the balance 409 by First quarter of Fiscal 2018. It will invest around Rs 120 crore on the branch infrastructure, while most of its estimated Rs 100 crore investment has been spent on IT.

P N Vasudevan, managing director, Equitas Small FinanceBank said that ESFBL has commenced its banking operations on September 5, 2016 with three branches in Chennai. By end of June 2017, all the 409 branches will start operations.

He added, the Bank almost spent Rs 100 crore to put up IT systems and will be investing around Rs 120 crore to set up the branches.

Of the 409 branches, 50 per cent will be in South, 30 per cent will be in West and 20 per cent in South.

Vasudevan all the investment will be funded through internal accruals, as the Bank has got Rs 2,000 crore capital. Currently, Equitas has 9,000 staff and expect to increase this to 12,500 once the branch expansion completes.

While the existing branches have started accepting deposits, it has not started accepting CASA from the public, which it hopes to start from November.

So far it has got Rs 12 crore deposit and 230 clients.

ESFB, which is the first private-sector bank from Tamil Nadu to commence operations post Indian Independence, is a diversified financial services provider focused on individuals and micro and small enterprises (MSEs). The focus customer segment includes low income groups and economically weaker individuals operating small businesses.

S Bhaskar, Executive Director & Chief Executive Officer, Equitas Holdings Limited, said that "as we have transformed into the Bank, we continue to remain focussed on the segments not sufficiently serviced by the mainstream financial system. To a large percentage of our borrowers, we are the only lenders. We hope to impact about five per cent of Indian Households by 2025,"

To enable physical support to its millions of customers, Equitas plan to have a network of Business

Correspondents (BC) at branch level taking banking services right to the doorstep of its clients.

The company has deployed IT and digital solutions to make our banking experience a great experience for its mass and mass affluent customers.

Total assets under management of ESFBL during the second quarter ended Fiscal 2017 stood at Rs 7,079 crore and networth stood at Rs 1,960 crore. The bank's PAT stood at Rs 47.1 crore.

One-time bank transition impact is on account of pre-closure charges on term loans repaid, NPA transition to 90 day norms, negative carry on cash held prior to bank conversion while credit is on account of standard assets provision reversal on incremental asset growth in first half of 2016-17 over the fourth quarter of fiscal 2016.

Recurring impact is on account of staff cost, rent & related costs to the extent incurred, depreciation on core banking & related IT assets, negative carry on SLR & CRR, advertisement & brand promotion etc., while credit is on account of reversal of Treasury Income.

Equitas said during the second quarter total impact on PAT was Rs 24.05 crore, including one time impact, net of Tax of Rs 13.41 crore and recurring impact, net of tax of Rs 10.64 crore. During the first quarter total impact on PAT was Rs 3.27 crore, which was recurring impact, net of tax.

6. Now, RBI takes complete charge of monitoring debit card data breach

Data of about 3.2 million cards have been compromised

Nupur Anand & Anup Roy

The Reserve Bank of India has taken complete charge of monitoring and to prevent further damage to the banking system as the data of 3.2 million cards have been compromised.

In a meeting convened by the regulator and attended by senior officials of banks, National Payment Corporation of India (NPCI) and card network operators RBI has directed the lenders that from now the central bank will be taking stock of the situation. Lenders have been also asked to not issue any communication with regard to card misuse as all the information will now come from RBI.

"To review the steps taken by various agencies to contain the adverse fall out of certain card details alleged to have been compromised," the central bank said in a notification on its website.

This is the first time the central bank has commented on the data breach that happened in August-September. The issue came to RBI's notice on September 8, it said, adding the issue is currently being investigated by an approved forensic auditor, under PCI-DSS (Payment Card Industry Data Security Standard) framework.

The central bank once again advised banks to review their security arrangements under cyber security framework. Even in the last few months RBI has been asking banks to step up the security to ensure that chances of cyber fraud is minimised.

Banks have received complaints from only 641 customers about fraudulent activity. However, data of about 3.2 million cards have been compromised.

The central bank notification said banks have been taking necessary remedial action to avoid any potential abuse of such cards in future and that the amount fraudulently withdrawn has been re-credited.

"Banks have taken measures including advising the customers to change PIN, blocking payments at international locations, reducing the withdrawal limits, monitoring unusual patterns, replacing the cards and re-crediting the accounts of cardholders for amounts wrongly debited," RBI said.

It is a good practice to change the pins and passwords periodically, RBI said. Advising that the credentials of the cards should not be shared with anyone for any reason, RBI said "banks do not ask for card or account details from their customers."

According to reports, the systems of Hitachi Payment Services were infested with malware that helped miscreants steal personal information and do fraudulent transactions. Hitachi Payment Services denied the malware infection took root in its systems. A detailed forensic audit is being conducted by SISA, payments security specialist, and the results are expected by the first week of November.

The malware was reportedly found in the processors of Hitachi Payment Services' central switch, which operates most of YES Bank and some other ATMs owned by non-bank entities.

However, both YES Bank and Hitachi said there was no breach or compromise at their end.

7. SBI General Insurance hopes to break even this fiscal

OUR BUREAU

SBI General Insurance, the non-life subsidiary of State Bank of India, is confident of breaking even this fiscal and generating underwriting profit in the medium term.

The optimism stems from the fact that the general insurer registered profits during the first two quarters of this fiscal. This was its first-ever profitable half-year period.

During the first-half of this fiscal, the company had a gross written premium (GWP) of about ₹1,200 crore and generated a profit of about ₹6 crore. During the second-half, it is aiming to achieve GWP of ₹1,300-1,400 crore.

"From our perspective, we are looking to grow profitability on a sustainable basis. While we hope we can achieve breakeven this year, we don't expect the underwriting profit to happen in the short term, but in the medium term we will certainly achieve that. Some of our competitors have done like that. So, it's quite possible," Andrew Farlow, Deputy CEO, SBI General Insurance told *BusinessLine* on the sidelines of a meeting here.

He said two key factors helped the company achieve quarterly profit for the first time since inception. "Our focus on management of expenses and analysing our book on understanding the mix of business and devising different growth strategies have been the key drivers to book profit in Q1 of this fiscal. Also, we have been working to make our claims process more efficient and customer-focused," he added.

Farlow said the company had created strong bases through revamped business portfolios in the first half. Going forward, in the second half it would consolidate and build on this to achieve growth. "Also, a benign catastrophe situation will be very helpful," he said, adding that the company took a hit of about ₹47 crore on account of Chennai floods last year.

With about 35 per cent of its book, motor is its largest business segment. It seeks to achieve faster growth in the health segment, which accounts for about 11 per cent now.

8. CSR: Vijaya Bank Ahmedabad celebrates 86th Foundation day, adopts 24 girl child

OUR BUREAU

Vijaya Bank Ahmedabad commemorated the 86th Foundation day of the bank by adopting 24 girl child and bear their expenses till completion of her education. At a celebration held in Ahmedabad on October 21, 2016, Murali Krishna A, Regional Manager, stated that Ahmedabad region has adopted 24 Girl Child as part of its CSR

initiatives and decided to bear their expenses till education. The bank has also donated tricycles to differently-abled besides laptops to the ward of the sub-staffs those who have completed their successful 20 years in our organization.

9. 57 borrowers owe banks ₹85,000 cr, RBI tells apex court

PRESS TRUST OF INDIA

Only 57 borrowers have defaulted on bank loans worth ₹85,000 crore. The Supreme Court said this after perusing a report submitted by the RBI about persons who have taken loan worth over ₹500 crore and defaulted and asked the central bank why their names should not be made public.

“Who are these people who have borrowed money and are not paying back? Why this fact that the person has borrowed money and not paying back be not known to public,” asked a Bench headed Chief Justice TS Thakur.

The Bench, also comprising Justices DY Chandrachud and L Nageswara Rao, said if the bar was lowered below ₹500 crore, then the default amount would cross over ₹1 lakh crore. Observing that if people file an RTI query, they must know who the defaulters are, it asked the Reserve Bank of India why the information on defaulters should be withheld.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY