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Dear Comrades,

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News of Interest 13th APR

MOTIVATIONAL QUOTES

**“OPTIMISM IS THE FAITH THAT LEADS TO ACHIEVEMENT. NOTHING CAN BE DONE WITHOUT
HOPE AND CONFIDENCE.”**

HELEN KELLER

HIGHLIGHTS

- 1. CBI ARRESTS FOUR FOR CHEATING BANKS TO THE TUNE OF RS 2,240 CRORE**
- 2. ICRA REPORTS SURGE IN BANKS' NPA SLIPPAGE**
- 3. MISSION INDRADHANUSH TO INFUSE CAPITAL IN BANKS NOT THE LAST STEP: ARUN JAITLEY**
- 4. CURRENCY RISES AT SNAIL'S PACE EVEN AFTER RBI WITHDREW RESTRICTIONS ON CASH WITHDRAWALS**
- 5. NON-BANKING FINANCE COMPANIES CALL FOR GST EXEMPTION ON ASSIGNMENT OF RECEIVABLES**

Business Standard

1. CBI arrests four for cheating banks to the tune of Rs 2,240 crore

Sanjay Jain, Rajiv Jain, Rohit Chaudhary, Sanjeev Agarwal have been arrested on the complaint of PNB

Press Trust of India

The Central Bureau of Investigation (CBI) has arrested four directors of Surya Vinayak Industries Limited for allegedly cheating consortium of banks to the tune of Rs 2240 crore.

Sanjay Jain, Rajiv Jain, Rohit Chaudhary and Sanjeev Agarwal have been arrested on the complaint of Punjab National Bank (PNB), the CBI sources said.

It is alleged that the four accused used more than 100 shell companies for routing and diversion of bank funds, they said.

The firm and the shell companies had no genuine business transactions, the CBI sources said.

The PNB alleged that the company had diverted bank funds to the tune of Rs 2240 crore, which resulted in loss to the consortium.

Over Rs 300 crore of working capital was also allegedly moved to six companies set abroad, they said.

The accused will be produced before the Patiala House Court on Wednesday.

2. Icra reports surge in banks' NPA slippage

SDR rules give lenders an 18-month window for bringing strategic investors for a troubled loan

Abhijit Lele |

Bank loans worth Rs 22,000 crore which were recast under Strategic Debt Restructuring (SDR) in 2015-16 had slipped into the non-performing asset (NPA) category during the final quarter ended March of 2016-17, according to rating agency ICRA.

On a failure in SDR loans, banks have to start making provisions for these on the balance sheet, at a time when revenue growth has been tepid or stagnant and credit costs are going up.

SDR rules give lenders an 18-month window for bringing strategic investors for a troubled loan. In this period, the loans are treated as standard assets. It saves banks from having to make provisions for such loans.

The bill for NPA provisions might expand substantially — slippages from SDR accounts are estimated to have more than doubled to Rs 49,500 crore in the April-June 2017 period, according to ICRA.

In its sample set, 61 large borrowers having total debt of Rs 2,45,000 crore are currently undergoing a resolution through the SDR scheme.

As on December 31, 2016, about 72 per cent of the debt continued to be classified as a 'standard' advance, with the standstill clause on asset classification under the scheme.

Banks had begun restructuring some troubled corporate loans from sectors like iron & steel, power and construction from the middle of 2015-16 under SDR.

They'd converted part of these into equity, giving them stake in the company.

Business Standard

3. Mission Indradhanush to infuse capital in banks not the last step: Arun Jaitley

Mission Indradhanush to infuse capital in public sector banks is not the last step as far as their recapitalisation is concerned, Finance Minister Arun Jaitley said today, asserting that the government was fully supporting them.

By: PTI |

Mission Indradhanush to infuse capital in public sector banks is not the last step as far as their recapitalisation is concerned, Finance Minister Arun Jaitley said today, asserting that the government was fully supporting them. Replying to questions on the grave concern expressed by the opposition over the growing non-performing assets (NPAs) in these banks, he said the government was making all efforts to ensure that the health of the banking sector improves and the banks are repaid.

He, however, said that the NPA problem related to some big accounts, which are not unduly large in numerical terms, and people have to realise that banks have to be paid back.

"There are 20 to 30 large accounts where people have to realise that banks have to be repaid. If the current promoters are not in a position to repay back, then they have to develop alternate corporate strategies so that the companies pay back," he told the members.

"The government will fully support the public sector banks because it believes they have a very important role to play...

"The Indradhanush plan which envisages Rs 70,000 crore being given from the central budget is not the last step as far as recapitalisation is concerned," he told the members during the Question Hour.

Jaitley said the assessment was that the public sector banks would require about Rs 1.8 lakh crore of capital to be infused in them. "As part of the Indradhanush scheme, the government, from the budgetary resources, had decided to infuse Rs 70,000 crore.

"This means Rs 25,000 crore each in the first two years and Rs 10,000 crore this year and another Rs 10,000 crore the next year. The Rs 70,000 crore is to be infused in a phased period of time from the budget," he said.

Jaitley, however, noted that the problem of NPAs was due to some people not paying up the banks for the loans taken and the burden comes on to the taxpayer.

"As far as the action plan is concerned, several actions have been taken. These include empowering the banks by statutory changes, all laws have been amended and the Reserve Bank has come out with various schemes from time to time. "There are some other steps which are now being contemplated," he added.

Jaitley said the government believes the public sector banks have a very important role to play in supporting a large number of social programmes and extending the reach of banking and supporting infrastructure in the country.

He said once the market conditions with regard to the valuation of these banks improves, then the bank shares itself will be used for their further capitalisation.

He also noted that banks as lenders and creditors have to act in larger public interest and ensure that the economy and growth itself is supported, he said, adding that whatever arrangement with loans are made, these have to be on a commercial basis.

In his written reply, Jaitley said, "For resolution of stressed assets, RBI has introduced a number of tools such as Corporate Debt Restructuring (CDR), Strategic Debt Restructuring Scheme (SDR) and Scheme for Sustainable Debt Stressed Assets (S4A)".

He also said "the government has carried out the exercise of capitalisation of public sector banks to conform with regulatory capital norms as well as for driving credit growth to cater to the needs of a growing economy."

Earlier, Minister of State for Finance Santosh Gangwar said the new S4A scheme of RBI was launched in July 2016 and its results will come soon. "It is a new scheme and will bear good results," he added.

Economic Times

4. Currency rises at snail's pace even after RBI withdrew restrictions on cash withdrawals

BY GAYATRI NAYAK

Currency in circulation continues to rise at a snail's pace even after the Reserve Bank of India withdrew restrictions on cash withdrawals from banks in early March.

Total amount of cash and currency in the system amounted to Rs. 13.62 lakh crore as of April 07, according to the latest Reserve Bank of India data. At these levels, total currency in circulation is 24 per cent less than the pre-note ban levels in early November when total currency in circulation was Rs 17.97 crore at the time when government declared the Rs 500 and Rs 1000 notes as illegal.

Cash in the system is increasing at a very slow pace. Weekly cash withdrawals have gone down for the fourth consecutive week from Rs 47,400 crore in the week ended March 10 to Rs 22194 crore in the week ended March 31. It may be recalled that restrictions on daily withdrawals were lifted and the pre-ban limits were restored on March 13. In the week ended April 07, currency in circulation rose by only Rs 26390 crore.

The Reserve Bank of India injects currency notes of various denominations in the system according to the demand from time to time. Though over the years efforts have been towards lesser dependence on cash as the regulator is pushing for banking and other digital modes of transaction, cash demand is known to spike at times of elections and in years when monsoons and agricultural output has been good. This is because rural economy is predominantly cash-based.

The demonetisation exercise is expected to permanently erode about Rs 1.7 lakh crore worth cash from the system translating into liquidity, according to a report by SBI' research team. This would be equivalent to about 1.1 per cent of GDP.

5. Non-banking finance companies call for GST exemption on assignment of receivables

K. R. SRIVATS

Finance Industry Development Council, a representative body of non-banking finance companies (NBFCs), has called for GST exemption on any receivables assigned by NBFCs to banks and financial institutions.

Assignment of receivables are effectively used for securitisation and they act as a very important mode of refinancing for NBFCs, said a letter written by FIDC to the

Working Group on GST (Banking, Financial and Insurance Sector). This working group

Simply put, assigning accounts receivables of NBFCs means that such companies use them as collateral for a secured loan.

With the bank or financial institution directly dealing with the NBFC, the customers of such NBFCs never know that the concerned company has borrowed against the outstanding accounts.

"We want the status quo (no tax on assignment of receivables) to be maintained even under GST system. There should be no new tax for such transactions under the proposed GST regime", Raman Agarwal, Chairman, FIDC told Business Line here.

He noted that bilateral assignment of receivables by NBFCs to banks, especially in retail lending not only provides funding to NBFCs but adds tremendous value to the asset book of the banks.

Both RBI and SEBI have been working to create an enabling environment for such transactions.

The CGST Bill, which has been passed by Parliament, exempts "actionable claims" from the levy of GST. The definition of actionable claims under the CGST Bill has been derived from the Transfer of Property Act 1882. As per this definition, assignments of receivables secured by hypothecation or pledge of movable assets are not treated as actionable claims.

As such, as per the prevailing provisions, assignment of receivables falls under the definition of "supply" and shall be subject to the levy of GST.

SALE OF REPOSSESSED ASSETS

FIDC, which is a self-regulatory organisation, has also urged the Working Group on GST to exempt the sale of repossessed assets (input tax credit not utilised cases) from levy of GST.

Currently, sales of repossessed assets are not subject to the levy of value added tax (VAT).

If a borrower commits default in case of asset backed financing, the asset is repossessed by the financier (bank/NBFC) and after giving sufficient opportunities, if the default continues, such financier sells the asset and appropriates the sales proceeds towards the account of the borrower.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY