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**Dear Comrades,**

**19th April , 2017**

**News of Interest 19th APR**

**MOTIVATIONAL QUOTES**

***“MY MISSION IN LIFE IS NOT MERELY TO SURVIVE, BUT TO THRIVE; AND TO DO SO WITH SOME PASSION, SOME COMPASSION, SOME HUMOR, AND SOME STYLE.”***  
**MAYA ANGELOU**

**HIGHLIGHTS**

- 1. VIJAY MALLYA ARRESTED IN LONDON, GETS BAIL IN 3 HOURS**
- 2. RBI RAISES PROVISIONING ON TELECOM LOANS**
- 3. COSTLY APARTMENTS HOUSE OFFICERS OF STRUGGLING IDBI BANK**
- 4. WEAK STATE RUN BANKS LIKE IOB, IDBI, BOI & UBI MAY BE FIRST IN LINE OF RBI FIRE UNDER NEW PCA, WARNS S&P**
- 5. SBI CARD STARTS CHARGING RS 100 ON SMALL PAYMENTS VIA CHEQUE**
- 6. AIRTEL PAYMENTS BANK GETS 1,000 VILLAGES TO GO DIGITAL**

Business Standard

**1. Vijay Mallya arrested in London, gets bail in 3 hours**

Next hearing on May 17; history against India in extradition case

Ashish Ray

Indian industrialist, Vijay Mallya, 61, whose Kingfisher Airlines (KFA) collapsed and who allegedly owes various Indian banks around Rs 9,000 crore, was granted conditional bail by the Westminster Magistrates Court in central London on Tuesday, after he was produced there following an extradition request by India. The next hearing of the case will be on May 17.

Mallya appeared to make light of his earlier brief detention. “Usual Indian media hype. Extradition hearing in court started today as expected,” he tweeted.

However, London's police headquarters posted on its website: "Officers from the Metropolitan Police's Extradition Unit have this morning, Tuesday (April 18) arrested a man on an extradition warrant."

It went on to state: "Vijay Mallya, 61 (18/12/1955), was arrested on behalf of the Indian authorities in relation to accusations of fraud. He was arrested after attending a central London police station...."

The last time any Indian was extradited to India by virtue of an order by a British court and against his will was Manu Narang in 1977. He stole two pillars from a temple in India. This was, in fact, before the Extradition Treaty between India and the United Kingdom came into being in 1993.

Sarosh Zaiwalla of Zaiwalla & Co., a London-based law firm, said: "I doubt very much if the extradition plea will succeed."

He explained: "The judge has to be satisfied Mallya gets a fair trial in India. His lawyer's will argue he is being politically hounded and is a victim of a media trial. He might also point out other Indian businessmen owe much more money to Indian banks, but his client has been singled out for persecution."

Zaiwalla was of the opinion that a "worldwide freezing order" on Mallya's assets would have been more effective than the extradition route.

Finance Minister Arun Jaitley personally took up the matter with his counterpart Philip Hammond, Chancellor of the Exchequer, when they met in London in February. The British Prime Minister, Theresa May, also joined in the discussions.

Following that exchange, sources close to Jaitley said the difference between previous cases and this one was "there is a political will" on the part of the British government to meet India's expectations. This was interpreted as May herself — anxious to woo India in an uncertain climate for Britain after Brexit — indicating a resolve to do so.

May as Home Secretary prior to becoming Prime Minister had shown an equal inclination to extradite Indian absconders, such as Iqbal Mirchi — an underworld don wanted for terrorism — and Ravi Shankaran — who was accused of stealing sensitive documents from the Indian Naval War Room. But she was thwarted by the courts in both instances. Mirchi thereafter passed away in 2013.

Mallya, who enjoys a right of residence in Britain, left India over 13 months ago. He has been living in the United Kingdom since, notwithstanding his passport being confiscated a year ago.

As a result of his company's debt, he was designated a proclaimed offender. He is wanted in India for defaulting on loans. Despite several summons to appear before the Enforcement Department of the Union Finance Minister, he refused to present himself before it.

In January, an Indian court permitted his lenders to pursue diluting the exposure. A Central Bureau of Investigation (CBI) court also issued a non bailable warrant against him. Following this, the Indian High Commission in London handed over an extradition request to the British Foreign Office, saying India had a "legitimate" case and sending Mallya back would demonstrate British "sensitivity towards our concerns".

Extradition has been sought on account of defaulting on IDBI Bank loan worth Rs 950 crore. IDBI Bank had sanctioned three loans of Rs 150 crore, Rs 200 crore and Rs 750 crore between 2009 and 2010 to KFA.

In extradition cases, UK follows the dual criminality procedure, where an action is an offence in both countries. "The level of proof required in the case is very high," said a

government official. Since it is a judicial case, Mallya will have the option of appeal at various levels of judiciary.

"It is a good precedent. We want to shatter this myth that by crossing boundaries you are out of bounds. Mallya extradition will act as an important test case," the official added.

The UK government refers the extradition request to the court after examining the worthiness of the case. In the Mallya case, the matter has been referred to the court, where Indian authorities will have to present the case for extradition of the liquor baron.

Extradition is resisted by offenders on grounds including biased judicial system, not getting a fair trial in India, politically motivated case, among others. Even if Mallya loses the case at the magistrate's level, he will have two or three higher levels of the judiciary to appeal to. If he fails to win even at the Supreme Court, then the final determination will be a political one, made by the British Home Secretary, Amber Rudd.

Mallya, who lost his core liquor business, owns a Formula One motor racing team called Force India. He is also associated with the Royal Challengers Bangalore franchise in the Twenty20 Indian Premier League.

## **2. RBI raises provisioning on telecom loans**

Says loans to telcos should carry higher provision on immediate basis

Anup Roy & Megha Manchanda

In an unusual directive, the Reserve Bank of India (RBI) on Tuesday asked banks to provide higher provisioning for good loans, given to stressed sectors, starting immediately with loans given to the telecom sector.

At present, the RBI mandates banks to provide 0.4 per cent as provision for a good loan as 'regulatory minimum', indicating the provisions could be higher.

The RBI's singling out of the telecom sector is particularly interesting. In its various publications, most notably in the Financial Stability Report (FSR), the RBI has said five sectors - infrastructure, steel, textiles, power and telecom - have contributed to more than 60 per cent of bank stress. Steel, power, transport and other infrastructure sectors have created a huge problem of non-performing assets (NPA) to banks.

The telecom industry had outstanding debt of nearly Rs 4 lakh crore, incurred mainly on account of payments for spectrum, spectrum usage charges and other levies. The beleaguered industry had written to the Department of Telecom apprising it about the financial situation. As of September 2016, the total debt of listed telecom companies was at Rs 2,14,477 crore.

Udit Kariwala, senior analyst, financial institutions, India Ratings, said the stressed assets in the telecom sector is estimated at about Rs 1,00,000 crore. Most of the loans are still shown as standard assets though they show all signs of stressed assets, he added. For restructured advances, which are treated as standard assets, banks have to make a provision of five per cent.

The RBI's cautioning on the telecom sector could be seen in that context. The interest coverage ratio of the sector, presently, is less than one, the RBI said. A ratio of less than one indicates that companies are not able to service their full interest from the

operating profit, a clear indication of high stress. In addition, the companies are also reporting "stressed financial conditions," the RBI noted.

"We are glad that the RBI has taken note of the financial issues of the industry. The stress level has caused major financial problems to the companies and we feel that the time has now come that the government addressed this issue," Rajan Mathews, Director General, Cellular Operators Association of India said.

The central bank's notification said the bank boards should review the telecom sector loan by June 30, "and consider making provisions for standard assets in this sector at higher rates so that necessary resilience is built in the balance sheets should the stress reflect on the quality of exposure to the sector at a future date."

"Besides, banks should also subject the exposure to the sector to closer monitoring," the RBI notification said.

The central bank has been warning about the telecom sector for quite some time.

For example, the FSR, published in December 2015, showed that telecom sector was still relatively healthy compared with power and transport, which saw restructured assets and bad debts in double digits.

In the December 2016 report, however, the RBI started getting concerned about the high leverage in the telecom sector.

While reviewing the sector, the banks should review quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc, Besides, sector specific parameters should also be taken into consideration, the notification said.

The higher provisioning for standard loans would be applicable to all sectors that are in stress, the RBI said. However, the central bank did not specify the extent of increase in provisioning.

"Banks shall put in place a board-approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors," the RBI's notification said.

The provisioning goes up as the company fails to service the interest on its loans within 91 days. The RBI did not specify how much of additional provisioning should be made by banks, but said it should be sector-specific and should be reviewed at least on a quarterly basis.

### **3. Costly apartments house officers of struggling IDBI Bank**

The government holds over 70 per cent stake in the bank

#### Dilasha Seth

State-owned IDBI Bank is suffering record losses, but that does not seem to bother some of its officials who are learnt to be living in plush apartments in Mumbai on public money.

With the bank's performance worsening, the government last month replaced its chief Kishor Kharat with Indian Bank Chief Executive Officer (CEO) M K Jain, to revive the troubled public sector lender.

It has emerged that the bank has purchased close to 600 apartments in the high-end Jolly Maker towers in Mumbai for its assistant and deputy managers. "These high-end apartments cost Rs 40-50 crore each, which is at the cost of the exchequer. Only private bank founders and CEOs stay in such plush apartments," said a source who did not wish to be named. The government holds over 70 per cent stake in the bank, and has been unsuccessfully attempting to privatise it over the past two years. The government is currently focusing on reviving the bank before privatising it.

In the 2016-17 Budget, the government said it was looking at bringing down its stake in IDBI Bank to below 50 per cent. However, that appears to have been put on hold. "First the bank has to recover and then we can think of privatising," said a key finance ministry official.

IDBI Bank is now looking at divesting non-core assets. The lender holds stakes in National Securities Depository, Biotech Consortium and North Eastern Development Finance Corp, among others. It reported a net loss of Rs 2,255 crore in the quarter ended December 31, 2016, against Rs 2,184 crore in the year-ago period, on account of mounting bad loans.

As a percentage of total loans, gross non-performing assets were 15.16 per cent at the end of the December quarter, as compared to 13.05 per cent in the previous quarter and 8.94 per cent in the year-ago quarter. In 2015-16, it had reported record loss of Rs 3,665 crore, the highest in the banking system.

"The bank's performance was worsening under Kishor Kharat, prompting the government to replace him," said another official. Jain was brought in from Indian Bank, which had posted a stellar performance under him.

Jain joined Indian Bank in November 2015 and turned around its performance. Indian Bank's net profit jumped eight times to Rs 374 crore in the third quarter of 2016-17, year-on-year. The earnings per share improved to Rs 7.8 a share from Rs 0.8 a share in the third quarter of 2015-16.

IDBI Bank was also in the midst of trouble with its former CEO being arrested for giving a loan to the now-defunct Kingfisher Airlines.

The Central Bureau of Investigation (CBI) had in January arrested former IDBI Bank chairman Yogesh Aggarwal, along with other officials, in connection with the alleged Rs 950-crore fraudulent loan extended to Kingfisher Airlines. CBI has pointed out that the loan sanctioned to KFA was despite the company having a negative net worth and not satisfying the corporate loan policy of the bank. CBI has noted auditors of the company had observed that funds aggregating to Rs 4,630 crore raised on short-term basis were used for long-term purposes. Besides, undisputed TDS amount of over Rs 100 crore was not deposited for over six months.

Financial Express

#### **4. Weak state run banks like IOB, IDBI, BoI & UBI may be first in line of RBI fire under new PCA, warns S&P**

Weak state-run banks like Indian Overseas Bank, IDBI Bank, Bank of India and Union Bank of India are in for regulatory action if the tightened prompt corrective action (PCA) is implemented properly, warns S&P in a report

By: [PTI](#) | Mumbai

Weak state-run banks like Indian Overseas Bank, IDBI Bank, Bank of India and Union Bank of India are in for regulatory action if the tightened prompt corrective action (PCA) is implemented properly, warns S&P in a report. "If the norms were applied to

reported numbers for December 2016, among the banks rated by us, Indian Overseas Bank is in risk threshold 3; IDBI Bank is in risk threshold 2; and Bank of India and Union Bank of India are likely be in risk threshold 1;" S&P credit analyst Geeta Chugh said today.

She also said the revised PCA, released last week by the Reserve Bank invests a lot of powers on the regulator to supersede the troubled banks, may trigger faster consolidation among the bad loan saddled state-run banks or higher capital infusion by the government.

"Our ratings on the banks factor in weak stand-alone credit profiles of 'B-' on IOB and IDBI Bank, and 'BB' on Bank of India and Union Bank. The 'BB' issuer credit ratings on IOB and IDBI Bank and 'BB+' issuer credit ratings on BoI and UBI continue to benefit from the very high likelihood of government support," Chugh said.

Welcoming the new guidelines, she said "we believe the Reserve Bank is taking a step in the right direction and the new regulations will force public sector banks to raise their generally low provisioning coverage, and likely accelerate the need for capital."

The revised norms may not necessarily be effective as early warning signals amid the current industry down cycle, she said and noted that a number of public sector banks are already knee-deep in NPAs and firmly entrenched within the new risk thresholds.

She further noted that the PCA measures such as restrictions on dividend distributions or branch expansion will have limited benefit because most banks didn't pay any dividends in fiscal 2016 as they are conserving capital. Also, most of them have shown little growth, and in many cases have contracted their balance sheets.

Economic Times

## **5. SBI Card starts charging Rs 100 on small payments via cheque**

**BY PTI**

SBI Card, with over 4 million customers, has started charging Rs 100 for payment through cheque if the amount is up to Rs 2,000 and anything above will attract no fee.

The fee kicks in from April 1.

The move, SBI Card said, is aimed at encouraging digital payments in line with the government's policy.

"A fee of Rs 100 will be charged for payments made by cheque for an amount less than or equal to Rs 2,000 w.e.f April 1, 2017," it said.

The credit card company, however, said there will be no additional fee for cheque payments greater than Rs 2,000.

CEO of SBI Card Vijay Jasuja said that over 90 per cent of its customers make payments through non-cheque mode.

"We have observed a trend of payment related disputes arising in small cheque payments, causing inconvenience to customers as well. We offer several seamless digital modes of payment which we are seeking to encourage, in line with the government's focus towards digital payments and this step will facilitate the same," the CEO said.

Jasuja added that there will be no charge on cheque payments on holders of SBI Card Unnati which is targeted at first-time credit card users and aimed at inclusion of people into the organised financial stream.

With a customer base of over 4 million, SBI Card operates through a footprint of more than 90 locations in India.

SBI Card is a joint joint venture between State Bank of India and GE Capital. The joint venture operates through two companies.

GE Capital Business Processes Management Services (GECBPMSL) takes care of the technology and processing needs of SBI Card while SBI Cards and Payments Services (SBICPSL) focuses on customer acquisition, marketing and risk management of SBI Card.

Last month, SBI had said it would increase its stake in SBI Card to 74 per cent by June-end.

## **6. Airtel Payments Bank gets 1,000 villages to go digital**

RAJESH KURUP

Sankalakariya, a village in Karnataka's Udupi district, has about 250 women who earn their livelihood from making beedis, and are paid once a week by the wholesaler.

In order to curb the usage of cash and encourage digital savings, the wholesaler has opened an Airtel Payments Bank account for all of them.

Now these women get their weekly salaries through Airtel Payments Bank, offering them control on their finances, according to an internal note on the importance of payments banks seen by *BusinessLine*.

Similarly, at Kanukunta village in Medak district of Telangana, every household has at least one savings account and shopkeepers are now equipped to accept digital payments, while people in Padra Tehsil of Vadodara district in Gujarat and Chauhan Khedi village in Indore district of Madhya Pradesh are also warming up to digital banking.

### **First off the block**

Airtel Payments Bank, the first company to receive a payments bank licence from the RBI on April 11, 2016, is also the first off the block to launch the services, aimed at bringing the un-banked into the banking fold.

The company's payments bank initiative is aimed mainly as a rural foray, and it has already brought about 1,000 villages under the digital initiative.

In these 1,000 villages, about two-thirds of the households have at least one savings bank account, while every village now has at least one banking point that enables citizens to access banking services (cash deposits, withdrawals and money transfers).

All the shops in these villages also accept digital payments, while farmers and small artisans in these villages have already been trained to accept digital payments, the note said.

Most of the households, who have one or more family members working in cities or towns, can bank or transact with a basic feature phone. The company is targeting to extend these to 5,000 villages.

### **Banking points**

The payments bank also uses the more than 2.5 lakh Airtel retail stores that doubles up as banking points, much more than the total 2.25 lakh ATMs in the country. It also aims to scale its network to six lakh banking points across the country.

The company also intends to on-board more than five million merchants from rural India. Nearly one million are already on its network. The firm, a part of Bharti Enterprises that owns the country's largest telecom operator Bharti Airtel, had committed an investment of ₹3,000 crore for its national operations.

When contacted a Bharti Airtel spokesperson declined to comment.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**

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