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Dear Comrades,

19th September , 2017

**News of Interest 19th SEP**

### MOTIVATIONAL QUOTES

“GOOD, BETTER, BEST. NEVER LET IT REST. 'TIL YOUR GOOD IS BETTER AND YOUR BETTER IS BEST. “ ST. JEROME

### HIGHLIGHTS

1. BIG 4 ACCOUNTING FIRMS ON IBA'S LIST OF FORENSIC AUDITORS
2. CATHOLIC SYRIAN BANK TO RAISE RS 400 CRORE CAPITAL THROUGH QIB
3. BANKS WITNESS SURGE OF WILFUL DEFAULTS, NUMBERS CROSS RS 1 LAKH CR
4. HOW A QUASHING PETITION TWISTS LOAN DEFAULT CASE
5. BANK UNIONS ASK JAITLEY TO WITHDRAW FRDI BILL

### Business Standard

#### 1. Big 4 accounting firms on IBA's list of forensic auditors

As many as 22,949 cases of fraud in both public and private banks came to light in the last five fiscals involving over Rs 69,769 crore

Press Trust of India | New Delhi

The Big 4 auditors -- KPMG, EY, Deloitte and PricewaterhouseCoopers -- figure in the list of entities that have been empanelled by the Indian Banks' Association (IBA) to do forensic audit of frauds in banks.

The number of banking fraud cases involving Rs 1 lakh and above is on the rise, which has increased to 5,076 in the fiscal ending March 2017, from 4,235 in 2012-13.

As many as 22,949 cases of fraud in both public and private banks came to light in the last five fiscals involving over Rs 69,769 crore.

Besides the Big 4, others on the list include BMR Advisors, Chokshi and Chokshi LLP, and Grant Thornton, Mukund M Chitale and Co.

The IBA has empanelled 39 audit firms for conducting forensic audit of frauds exceeding Rs 50 crore in banks.

Similarly, 73 auditing firms have been indented for forensic audit in banks where the amount involved in frauds is less than Rs 50 crore.

"Prior to assignment and engagement, member banks need to invite price bids from the empanelled audit firms," the IBA said.

Earlier, the IBA had invited applications from chartered accountant firms for empanelment to take up assignments relating to forensic audit of frauds up to Rs 50 crore and frauds above Rs 50 crore in the banking industry with a view to recovering money and curbing such practices.

Concerned over high incidence of frauds in banks, the Reserve Bank had operationalised a Central Fraud Registry (CFR) as a searchable centralised database for use by banks in January 20 last year.

The reasons for fraud, according to the RBI, include gaps in credit underwriting standards, liberal cash flow projection at the proposal stage, lack of continuous monitoring of cash flow and cash profits (Ebitda), and lack of security perfection.

The other reasons are overvaluation, gold-plating of projects, diversion of funds, double financing and general credit governance issues in banks.

## **2. Catholic Syrian Bank to raise Rs 400 crore capital through QIB**

Will allocate up to 40 million shares to the investors; process to be completed by October

T E Narasimhan | Chennai

Kerala-based Catholic Syrian Bank (CSB) Board has approved a proposal to raise capital by way of the qualified institutional buyer (QIB) allocating upto 40 million shares to the investors. The Bank which is seeking around Rs 400 crore to fund its growth till March 2019, said the process will be completed by October.

The development comes two months after Fairfax called off CSB's investment plan due to a valuation issue. Canadian investor Prem Watsa's Fairfax Financial Holdings was planning to invest around Rs 1,000 crore in CSB for a 51 per cent stake.

Speaking to *Business Standard* C V R Rajendran, managing director & chief executive of the CSB said that the Board has given an approval for issue preferential shares by selling upto 40 million shares. The prices will be decided by way of the book-building process.

Depending upon the price, the bank may either issue 20 million shares or a little more, or if the price is good it can go upto 40 million shares also, Rajendran added. If the bank issues all the 40 million shares, it will be 33 per cent dilution.

The bank has appointed JM Financial as merchant banker and in the coming weeks, it is planning to meet the potential investors.

"We require around Rs 400 crore till March 2019 to support our growth plans," said Rajendran, who expects the process to be completed by October end.

Rajendran said the Bank is looking at QIBs for raising the funds. The Bank already has about Rs 3,000 crore of surplus funds to be deployed.

"We have planned about 27% growth in the next year advances also. Taking that into consideration, Rs 400 crore would be needed," said Rajendran.

The year 2016-17 has been a significant year for CSB as it could get back to profitability, helped with treasury profits, after two years of consecutive losses.

"Hopefully we should end up with a marginal profit this year also, without treasury profit," said Rajendran.

One of the 'Crucial Cs' in this regard, which the Bank is focusing are Capital augmentation. A solid capital base is essential to ensure future growth and we expect significant strategic investment to come to the bank. This will be taking care of its growth plans for the next 5 years.

Bank's Credit Deposit ratio is currently one of the lowest in the industry and this has pushed Bank's NIM to below 2% levels.

The bank is planning exponential growth in focus areas such as Gold loans, SME and retail loans.

"Not to repeat from past mistakes, we have strengthened the credit processes following CRIS recommendations. We will be setting up two-wheeler financing vertical, replicating NBFC model," he added earlier.

In terms of CASA growth, CSB need to improve so that the cost of funding is brought down, he added

## **Financial Express**

### **3. Banks witness surge of wilful defaults, numbers cross Rs 1 lakh cr**

According to data available from TransUnion CIBIL, a credit information bureau, local lenders have seen a nearly 45 percent surge of Rs 34,900 crore in wilful defaults from last year

By: [FE Online](#) | New Delhi

Banks are observing a rise in wilful defaults, or refusal of payment obligations by borrowers, despite having the strength to pay the loan. According to data available from TransUnion CIBIL, a credit information bureau, local lenders have seen a nearly 45 percent surge of Rs 34,900 crore in wilful defaults from last year, as per Indian Express report. The data portrays that the numbers of wilful defaults by borrowers from banks spiked up from Rs 74,694 crore in March 2016 to Rs 1,09,594 crore in March 2017, added the report. The data further shows that over the last five years, the number of the wilful defaults has risen by over Rs 84,000 crore.

State Bank of India topped the list of banks with wilful defaulters with Rs 15,069 crore stuck in 997 accounts of borrowers, recording a rise of Rs 2,759 crore in fiscal 2017. Punjab National Bank was second with wilful defaults of Rs 10,989 crore in 871 accounts. Bank of Baroda's wilful defaults soared from Rs 1,367 crore in the year ended March 2016 to Rs 4,785 crore by March 2017. Talking about the financial institutions, then LIC's wilful defaults came down from Rs 1,304 crore in March to Rs 1,034 crore by March 2017. Also, the company's IFCI's spiked up from 1,069 crores to Rs Rs 1,274 crore in March 2017.

Talking about the financial institutions, then LIC's wilful defaults came down from Rs 1,304 crore in March to Rs 1,034 crore by March 2017. Also, the company's IFCI's spiked up from 1,069 crores to Rs Rs 1,274 crore in March 2017. The wilful-default accounts of SBI comprise of GET Engineering (Rs 424 crore), Zenith Birla (Rs 139 crore) and Rajput Retail (Rs 282 crore), among others. Furthermore, Bank of Baroda has classified Sidhivinayak Logistics for Rs 281 crore in defaults and ABC Cotspin for Rs 362 crore. PNB has filed suits against Zoom Developers, for Rs 410 crore in defaults, Forever Precious (Rs 747 crore) and Winsom Diamond (Rs 899 crore), reported IE report.

A senior official of a leading public sector bank told IE that there has been a surge in wilful defaults. The process is ongoing in which banks categorize borrower who has the capacity to honour the commitments as wilful defaulters. These are mostly legal accounts.

Notably, a wilful default is defined by the RBI as one where the unit has defaulted in meeting its payment/repayment obligations to the lender when it has the capacity to honour these commitments. It also includes those that have siphoned off or not utilized funds for/from the specific purposes for which finance were availed. And, those that have disposed of or removed movable fixed assets or immovable property given for the purpose of securing a term loan.

Economic Times

#### **4. How a quashing petition twists loan default case**

*By Saikat Das*

The State Bank of India the leading lender to Shree Ganesh Jewellers, now has to contend with a fresh twist in its criminal case against the embattled Kolkata company that is accused of defaulting on Rs 2,600 crore worth of loans taken from several domestic banks.

Dubai-based Kamlesh Parekh, one of the three brothers who owned the company, has filed a petition in the Calcutta High Court seeking the quashing of the criminal complaint of fraud filed by SBI and the Central Bureau of Investigation (CBI) against him. Kamlesh, the youngest of the three founders, said that he had parted from the other brothers due to a family dispute and is disassociated from the defaulting jeweller.

"My client is not holding any position in the company owned by the three brothers," said Zulfiqar Memon of MZM Legal, which is representing Kamlesh Parekh. "We have sought this quashing petition because this criminal complaint is hurting his business activities. Kamlesh Parekh has only ownership of shares through ancestry, but was never involved in any company activities."

The quashing petition will be heard by the Calcutta High Court Wednesday.

In its FIR filed in July 2016, SBI accused company promoters/executives of siphoning off funds: "The accused persons committed an elaborate bank fraud causing wrongful loss of Rs 2,619.04 crore to 25 banks."

Shree Ganesh Jewellery is accused of using loans funds from banks to finance two companies - Dubai-based Aastha Jewellery and Sparkle Jewellery LLC - that are owned by Kamlesh Parekh. He is engaged in the entertainment businesses in the Middle East.

#### **Business Line**

#### **5. Bank unions ask Jaitley to withdraw FRDI Bill**

Bank unions have requested Finance Minister Arun Jaitley to withdraw the FRDI Bill as it proposes to empower authorities with sweeping powers to wind up public sector banks and insurance companies.

Already, there are many rules and legislation in place under the existing Acts that deal with winding up of financial institutions, United Forum of Bank Unions (UFBU) said in its representation to the finance minister.

The Financial Resolution and Deposit Insurance (FRDI) Bill, 2017, was tabled in the Lok Sabha last month. It was referred to the 30-member committee comprising members of both the Lok Sabha and the Rajya Sabha.

"The objective of this Bill is obviously to heavily empower the new authority with sweeping powers to dismantle and erase public sector financial institutions like banks and insurance companies and hence, it is apparently draconian.

"We demand the withdrawal of this Bill," it said. UFBU is an umbrella organisation of all banks unions.

### **Wilful defaulters**

In a representation submitted last week, they also demanded declaration of wilful default of bank loans as criminal offence.

The RBI Act should be amended to provide for publication of the names of these defaulters, suggested All India Bank Employees' Association (AIBEA) General Secretary CH Venkatchalam.

With kind regards,

Yours Comradely,



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