



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

9th August , 2018

### **News of Interest 9th AUG**

#### **MOTIVATIONAL QUOTES**

**'A DREAM DOESN'T BECOME REALITY THROUGH MAGIC; IT TAKES SWEAT,  
DETERMINATION AND HARD WORK.'**

**COLIN POWELL**

#### **HIGHLIGHTS**

- 1. PUBLIC SECTOR BANKS SEE SOUND RECOVERY FROM BAD LOAN ACCOUNTS IN Q1**
- 2. INDIAN BANK Q1 NET PROFIT FALLS 44% TO RS 2 BN DESPITE RISE IN INCOME**
- 3. INDIAN BANKS TAKE A MASSIVE RS 70,000 CRORE HIT DUE TO FRAUDS IN LAST 3 FISCALS**
- 4. BANKS HAVE FIRST RIGHT OVER PLEDGED ASSETS, RULES TRIBUNAL**
- 5. IDBI BANK STAFF TO GO ON 2-DAY NATIONWIDE STRIKE FROM TOMORROW**

#### **Business Standard**

##### **1. Public sector banks see sound recovery from bad loan accounts in Q1**

Quick resolution in NCLT; Q1 earnings could be a precursor to asset quality movement

Debasis Mohapatra & Abhijit Lele

Most public sector banks (PSBs) have seen a sound recovery from bad loan accounts in the first quarter (Q1) of the current financial year, indicating that their consistent focus on containing non-performing assets (NPAs) is yielding results.

Factors like dedicated recovery teams, centralised follow-up of bad loan accounts, apart from resolution of big NPA accounts through the National Company Law Tribunal (NCLT), are driving this trend.

For example, the scam-tainted Punjab National Bank (PNB) recovered a gross amount of Rs 77 billion in the April-June period of 2018-19, which was higher than the total amount of Rs 44.43 billion recovered during the last fiscal year (2017-18). PNB has set a target to recover Rs 200 billion in April-September 2018. The Delhi-based bank has to recover Rs 115 billion in the current quarter ending September 2018. It has identified seven NCLT cases in the final stages of resolution where it expects substantial money to come in during the second quarter of FY19, said PNB Executive Director L V Prabhakar.

Similarly, another big public sector lender Canara Bank has seen cash recovery to the tune of Rs 35.37 billion in Q1 of this fiscal year from bad loan accounts. The Bengaluru-headquartered lender had recovered Rs 64.58 billion during the January-March period of last fiscal year.

"A large part of the recovery has come from resolution of two accounts at the NCLT. Apart from this, PSBs' focus on containing bad loans through closer monitoring and frequent follow-ups are also yielding results from other delinquent accounts," said Kartik Srinivasan, head of financial sector ratings at Icra.

"As resolutions in more NCLT accounts arrive, we will see a large chunk of cash recovery in the public sector banking space. It is just a matter of time before we see a turnaround in asset quality," he added.

Apart from recovery from the NCLT accounts, banks have also geared up their efforts with the adoption of many innovative methods to turn many delinquent accounts into regular ones. For instance, Vijaya Bank has dedicated recovery teams to do follow-up on individuals who have defaulted in servicing their loans. The bank, which has one of the lowest net NPA levels among public sector lenders, recovered Rs 4.1 billion in Q1 of this fiscal year, which was almost double the amount as compared to the preceding quarter.

"We have dedicated recovery teams and centralised monitoring of loan accounts. Owing to these efforts, we have seen good momentum in the recovery front," Managing Director and Chief Executive Officer of Vijaya Bank, R A Sankara Narayanan, had said after the Q1 earnings announcement.

Banks like PNB have gone a step ahead with the setting up of call centres from where follow-ups on NPA accounts up to Rs 10 million are being done. The bank has also started Mission Gandhigiri, under which demonstration in front of the premises of recalcitrant borrowers are being held by its recovery staff. It has pressed into service 3,000 bankers on the recovery task.

"We have realigned our strategy to focus on the recovery of bad loans. Our total cash recovery in Q1 was at Rs 20 billion, which was close to four times of the same period last fiscal year," said an official of Syndicate Bank.

## **2. Indian Bank Q1 net profit falls 44% to Rs 2 bn despite rise in income**

Net NPAs fell to 3.79 per cent (Rs 59.98 billion) from 4.05 per cent (Rs 52.38 billion)

Press Trust of India

State-owned Indian Bank on Thursday reported a fall in its net profit by 44 per cent to Rs 2.09 billion in first quarter ended June.

Bank's net profit in the corresponding April-June quarter of 2017-18 was at Rs 3.72 billion.

Total income during the first quarter of 2018-19 increased to Rs 51.31 billion from Rs 47.88 billion in same period of 2017-18 on good interest and investment earnings.

Even as bank's ratio of bad loans fell from a year ago, in absolute terms the NPAs were high, showed the financial results of the lender in exchange filing.

The gross non-performing assets (NPAs) as a percentage of gross loans by end-June 2018 fell to 7.20 per cent from 7.21 per cent as on June 30, 2017. In absolute value, the gross NPAs were at Rs 118.27 billion by end of first quarter, up from Rs 96.53 billion a year ago.

Net NPAs too fell to 3.79 per cent (Rs 59.98 billion) from 4.05 per cent (Rs 52.38 billion).

Thus, the overall provisioning for bad loans and contingencies in April-June 2018-19 was raised by Indian Bank to Rs 10.29 billion from Rs 7.15 billion a year ago. Provisions for bad loans were Rs 4.56 billion as against Rs 6.81 billion.

"Non-performing loan provision coverage ratio is 64.38 per cent as on June 30, 2018," Indian Bank said.

During the quarter, the bank had appropriated the recovery of Rs 946.1 million in a fully provided NPA account and the amount recovered has been considered as part of NPA recovery, it said.

## **Financial Express**

### **3. Indian banks take a massive Rs 70,000 crore hit due to frauds in last 3 fiscals**

Indian banks reported a total loss of about Rs 70,000 crore due to frauds during the last three fiscals up to March 2018, the Rajya Sabha was informed today

By: PTI

Indian banks reported a total loss of about Rs 70,000 crore due to frauds during the last three fiscals up to March 2018, the Rajya Sabha was informed today. The extent of loss in fraud cases reported by scheduled commercial banks (SCBs) for 2015-16, 2016-17 and 2017-18 was Rs 16,409 crore, Rs 16,652 crore and Rs 36,694 crore, respectively, Minister of State for Finance Shiv Pratap Shukla said in a written reply quoting RBI data.

The minister said that data of frauds is as per the year of reporting and not the year of occurrence of fraud or sanction of loan, letter of undertaking, which may be of an earlier period. The minister also informed the House that gross advances by SCBs increased from Rs 25.03 lakh crore as on March 31, 2008, to Rs 68.75 lakh crore on March 31, 2014.

As regards the stressed assets in the banking system, Shukla said the spurt was due to aggressive lending practices, wilful default, loan frauds, corruption in some cases and economic slowdown. Replying to another question, he said as per RBI data, there were 139 borrowers with aggregate gross NPAs of more than Rs 1,000 crore. Shukla said the RBI has apprised that it issued directions to banks in June 2017, instructing them to file applications for initiation of corporate insolvency resolution process (CIRP) under the Insolvency and Bankruptcy Code (IPC) in respect of 12 borrowers.

The 12 borrowers had cumulative fund-based and non-fund based outstanding amount of Rs 1,97,769 crore as on March 31, 2017. "It subsequently issued further directions to banks advising them to finalise and implement resolution plans in respect of 29 accounts by December 13, 2017, failing which these too had to be referred to CIRP under IBC," Shukla said. The cumulative fund-based and non-fund based outstanding amount of these accounts was Rs 1,35,846 crore, as on June 30, 2017.

## **Economic Times**

### **4. Banks have first right over pledged assets, rules tribunal**

*By Saikat Das*

In a landmark ruling, the appellate tribunal on matters related to the Prevention of Money Laundering Act has ruled that Enforcement Directorate cannot claim rights over assets of people suspected of criminal activity if banks have created prior rights over them through lending.

The tribunal has ruled in favour of Standard Chartered Bank in a dispute involving the ED on the Winsome Diamonds & Jewellery case saying that it would be against the spirit of the Money Laundering Act if assets pledged are not available for banks to recover their dues.

"The mortgaged properties of the appellant bank cannot be attached or confiscated unless link and nexus directly or indirectly established," Justice Manmohan Singh, chairman of the tribunal wrote in his order passed on August 2, a copy of which is in possession of ET.

"The mortgaged properties are security to the loans and cannot be subject matter of attachment particularly when the same were purchased and mortgaged prior to the events of funds diversion and fraud committed by the borrowers."

The ruling could be a huge relief for banks fighting to recover money from defaulters some of whom are also being prosecuted by investigating agencies like ED and CBI.

The ruling, if upheld, could help banks recover money and clean up their books. The order can be appealed against in the Supreme Court. The adjudicating officer has relied on the definition of 'proceeds of crime' to rule that agencies cannot claim rights over assets that were not acquired

through criminal activity for which a company or an individual is being prosecuted.

Proceeds of crime are defined as 'any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.'

In many cases where the judiciary moves slowly, banks have to wait for more than a decade to recover their dues. State Bank of India is facing such a situation in recovering money lent to bankrupt Kingfisher Airlines where agencies are prosecuting its promoter Vijay Mallya for violation of laws.

"There are many companies where the Enforcement Directorate has attached assets making it difficult for the resolution professional to draw a fruitful resolution plan or to find resolution applicants at acceptable price," said Anil Goel, founder of AAA Insolvency Professionals. "Such assets can be sold with higher valuation yielding more for the lenders.

The order should help see the light of the day for many NCLT cases stuck in litigation process," he said. Winsome Diamonds is a company where lenders are trying to recover more than Rs 4,600 crore after the company went belly up because of fraudulent transactions by the promoters, including Jatin Mehta who is under investigation. Frauds have crippled banks.

PNB has incurred more than Rs 13,000 crore of losses due to frauds by jeweller Nirav Modi.

Winsome Diamonds borrowed Rs 4,617 crore from 14 different banks by 2012 by pledging its properties at many locations. The loans were given to three group companies, Winsome Diamond & Jewellers, Forever Precious Diamond and Jewellery and Suraj Diamonds.

By 2013, these companies started defaulting on loans and were soon declared wilful defaulter leading to banks initiating recovery process which got stalled by the ED's attachment of assets. "The mortgage properties are not derived or obtained, directly or indirectly from the criminal activity or the proceeds of crime," the order said.

The scope of the Act is to punish the accused person involved in money laundering, but not to punish an innocent person." While it may not be a blanket approval towards banks getting their dues ahead of the investigative agencies, the mindless attachments by the agencies may come to an end.

"The order indicts the routine attachment of properties by ED without examining the facts of the case," said Vinay Chauhan, Partner, Corporate Law Chambers India. The observations in the order will come as big relief to similarly placed banks, companies, who cannot enforce their securities because of routine attachment of properties by ED."

According to Dhaivat Anjaria, a distressed assets specialist who led the resolution for one of the large 12 corporate insolvency accounts, the order reinforces the supreme hierarchy of financial creditors' rights in matters classified as distressed debt or under insolvency process.

"By recognising their superior standing vis a vis other government dues including rights over attached assets of the debtor, the guidance will facilitate faster and seamless decision making by creditor committees towards achieving corporate insolvency resolutions," he said.

## **Business Line**

### **5. IDBI Bank staff to go on 2-day nationwide strike from tomorrow**

OUR BUREAU

The All-India IDBI Officers Association has called for a nation-wide strike from tomorrow (Thursday) and a hunger dharna on Friday in Delhi to protest the move to sell a stake in IDBI Bank to the LIC.

"We note with extreme concern...the move to sell a significant (stake) to Life Insurance Corporation of India whereby the shareholding of the Government of India in the bank will fall below 51 per cent.

"We strongly oppose (the) move (which goes) against the solemn assurance given on the floor of Parliament that (the Centre) shall at all times maintain its stake above 51 per cent..." the association said.

The association is trying to convince members to stay calm on the belief that the Centre will reconsider its move in the interest of workforce of the bank and their dependent family.

The staffs fear that the proposed stake sale would in turn change the service conditions as it would be categorised as "private sector bank".

Moreover, the fate of employees who have been selected on the basis of their merit through all-India-level examinations conducted by the IBPS would become uncertain.

Thousands who have joined after leaving jobs with other public sector banks/government organisations feel cheated with the stake sale move, the association said.

Also, this would be unfair to certain classes of employees (again, in thousands) who have been recruited in reserved category whose prospects would become uncertain.

There would not be any regulatory obligation on the part of the bank for selection and promotion of reserved category candidates to ensure their minimum representation at desired levels.

It is unfair that the employees of the bank are made to suffer due to wrong decisions taken at the top level, which is in turn responsible for the high-level of non-performing assets.

The Centre is trying to set right situation by resorting to the drastic step of stake sale, which has put at stake the jobs and entire livelihood of thousands of employees, the association said.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**