



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

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Dear Comrades,

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News of Interest 29th AUG

MOTIVATIONAL QUOTES

'NEVER APOLOGIZE FOR SHOWING FEELING. WHEN YOU DO SO, YOU APOLOGIZE FOR THE TRUTH.' BENJAMIN DISRAELI

HIGHLIGHTS

1. 30 STRESSED POWER ACCOUNTS SET TO GO TO NCLT AS RBI'S NPA DEADLINE ENDS
2. 70 BIG COMPANIES MAY BE HEADING FOR RESOLUTION UNDER THE IBC: ICRA
3. PAY APP: GOOGLE, BANKS TEAM UP FOR DIGITAL LOANS
4. RBI EMPLOYEES' 2-DAY MASS LEAVE TO PARALYSE BANKING OPERATIONS
5. LIC-IDBI BANK DEAL HITS LEGAL HURDLE

Business Standard

1. 30 stressed power accounts set to go to NCLT as RBI's NPA deadline ends

Allahabad HC on Monday had denied relief to power sector

Shreya Jai & Abhijit Lele

Lenders to about 30 stressed power assets will refer them to bankruptcy courts, after the Allahabad High Court denied any relief to the sector from the Reserve Bank of India's February 12 circular setting a 180-day deadline for resolution, which ended on Monday. These comprise 18 coal-run and a dozen gas-based and hydropower projects. Some petitions were in the process of being filed on Tuesday.

Barring five projects, whose resolution has been worked out outside the Insolvency and Bankruptcy Code (IBC), all the other stressed power plants

are expected to face insolvency proceedings. According to power ministry officials, the number of stressed assets in the sector is 66 and very few are under any resolution plan.

The finance ministry identified 34 coal-run projects in its list of stressed power assets.

A senior State Bank of India (SBI) executive said power sector assets worth Rs 670 billion were headed for bankruptcy courts, while work on resolution of projects worth Rs 750 billion was underway. KSK Mahanadi, one of the largest projects on the list of stressed assets, have received two bids but both were rejected by the lenders.

Bids were called again and are being re-evaluated. Essar Mahan and Rattan India Nashik received one-time settlement offer from their respective promoters and the lenders have sought an "improvement" in the offer as it is "sub-optimal". Avantha Power Jhabua and GMR Chhattisgarh are under bidding.

Among gas-based power plants, 5,000 MW capacity, including GMR Rajamundry, Lanco Kondapalli, Reliance Power Samalkot, RVK Energy, and Panduranga Energy, would land in the National Company Law Tribunal (NCLT), said officials. Of the 24,000 MW of stranded gas power projects, 14,000 MW were allotted gas at subsidised rates by the government and, hence, are receiving part of their tariff from their respective power buyers. The Konaseema Gas project (445 MW) is already in the NCLT.

Maheshwar Hydro (400 MW) is one of the largest hydropower projects in the list. Industry executives said the other hydropower projects were relatively smaller but the total number would be significant. Around six hydro projects are likely to land in the NCLT.

Anil Gupta, vice-president and head of financial sector rating, ICRA, said there were a handful of business groups, corporates and private equity players who had an appetite for acquiring power sector assets. "They would be selective in choosing assets in the NCLT. It is going to be a buyers' market," he said.

More than two dozen projects are incomplete and will find it hard to attract buyers. Among stressed assets that were undergoing SDR but were incomplete are Rattan India Amravati, Athena Chhattisgarh, GMR Vemagiri, three projects of Lanco Infra, Vandana Vidyut and JAL Power. The latest status report by the Central Electricity Authority (CEA) has listed these projects under the 'uncertain completion/work held up' category.

Private power sector executives are banking on the High Powered Committee (HPC), constituted under the chairmanship of the Cabinet Secretary P K Sinha to design a framework for resolving the prevalent issues in the sector.

"As observed earlier, the major reasons for stress in most of the thermal power projects have been non-availability of fuel, cancellation of coal blocks, projects set up without linkage, lack of enough PPA, inability of the promoter to infuse the equity and working capital, contractual/tariff related disputes, issues related to banks/financial institutions, delay in

project implementation leading to cost overruns and aggressive bidding by developers in PPA," the Allahabad High Court noted in its order on Monday.

Government officials said the committee would come up with a forward-looking plan suggesting a framework for under-resolution, resolved and impeding stressed assets. It has been directed by the HC to submit report by September 29.

A senior industry executive said the government owed the thermal power generation sector Rs 200 billion in the form of regulatory assets, non-payables, etc. "We are hoping the HPC will take immediate action... Regulatory niggles have hampered the sector. These need to be addressed," he said. If not devised now, another 10-15 GW would be facing stress soon, said the executive.

The Independent Private Power Producers' Association of India (IPPAI), which was the lead petitioner in the case, said they were evaluating the judgment and discussing with members if they should challenge it in a higher court.

2. 70 big companies may be heading for resolution under the IBC: ICRA

The rating agency cautioned that GNPA and NNPA may be higher at 12.2 per cent and 5.6 per cent, respectively, in absence of resolution

Press Trust of India

The gross non-performing assets (GNPAs) of the banking sector is likely to improve to 10 per cent in March 2019, from 11.52 per cent as on June 30, 2018, as nearly 60 per cent of the bad loans of the sector are under active resolution, a report said on Tuesday.

The net NPA is also expected to decrease to 4.3 per cent, from 5.92 per cent as of June-end this year, I cra said in its report.

The rating agency, however, cautioned that GNPA and NNPA may be higher at 12.2 per cent and 5.6 per cent, respectively, in absence of resolution.

With expiry of the 180-day period provided in RBI's February 12 circular for resolution of large stressed borrowers, I cra estimated that 70 big companies accounting for around Rs 3.8 trillion of debt may be heading for resolution under the Insolvency and Bankruptcy Code (IBC).

"With ongoing resolution of stressed assets, despite fresh slippages, we expect GNPAs and NNPA for banking sector are likely to reduce to close to 10 per cent and 4.3 per cent respectively by March 2019," I cra's head of financial sector ratings, Anil Gupta, said.

However, he was quick to add that the same may be higher at 12.2 per cent and 5.6 per cent, respectively, in absence of resolution.

The GNPAs declined to 11.52 per cent as on June 30, 2018, from 11.68 per cent as on March 31, 2018, while the NNPA decreased to 5.92 per cent, against 6.27 per cent.

Gupta said with Rs 4 trillion of debt across 40 large borrowers already under resolution and likelihood of more large borrowers being resolved under IBC, nearly 60 per cent of the bad loans of banks are now under active resolution.

The pickup in the pace of resolution is positive, however, he cautioned that tough times are expected to continue for banks given the limited recoveries being witnessed in many of the earlier cases undergoing resolution, except for accounts belonging to the steel sector.

With 85-90 per cent of these NPAs belonging to state-run banks, the recoveries from these accounts will be a major driver of their profitability and the capital requirements during the current fiscal, the report said.

Assuming 60-65 per cent provisioning requirements on accounts to be resolved and normal slippages of around 3 per cent for FY19, Icra estimated the credit provisions for public sector banks (PSBs) at Rs 1.4-2 trillion in FY19, compared with Rs 2.71 trillion in FY18.

It also expects many PSBs to report losses during FY19 after factoring in the marked-to-market losses on bond portfolios.

Financial Express

3. Pay app: Google, banks team up for digital loans

In what appears to be a symbiotic relationship, Google's India arm said on Tuesday it was teaming up with HDFC Bank, ICICI Bank, Federal Bank and Kotak Mahindra Bank to offer loans on its app Google Pay

By: FE Bureau

In what appears to be a symbiotic relationship, Google's India arm said on Tuesday it was teaming up with HDFC Bank, ICICI Bank, Federal Bank and Kotak Mahindra Bank to offer loans on its app Google Pay.

Digital payments experts said that while the banks would be able to acquire customers more easily via the Google Pay app, Google in turn would have access to the credit histories of these borrowers. The data could then be mined by Google for its business, they said.

"This is a typical land and expand strategy that fintechs follow and that's what Google is doing," Vivek Belgavi, partner and head (fintech) at PwC, observed. Fintech, Belgavi said, was becoming the new distribution channel for banks, allowing them to address new customer segments.

While banks will approve the instant, pre-approved loans, the front-end and user experience will be provided by Google Play. The feature, set to be rolled out to eligible users within the next few weeks, will appear as a notification informing the user he or she has been pre-approved. He or she can then decide the amount and tenure of the loan.

Once the terms of the loan are finalised, the relevant bank will deposit the money in the user's bank account. No additional paperwork will be required.

Internet penetration and the increasing affordability of smartphones are facilitating digital payments and transfers. Rajan Anandan, Google's vice-

president for India and Southeast Asia, observed on Tuesday that India now has 390 million internet users with a fourfold growth in rural users.

"About 45% of online uses will be women in the next three years," Anandan said. Moreover, the ecosystem has seen a significant upgrade with 70% of smartphones now offering over 2 GB of RAM and 80% of the devices offering at least 16 GB storage. Also, feature phone usage, he said, is redefining the internet by triggering a 270% year-on-year growth in voice; while the average data consumption is now 8 GB per user, about 95% of the video consumption that drives this number is in local languages.

Google Pay — earlier called Tez — is understood to have been downloaded by over 55 million people. More than 22 million people and businesses use the app for digital transactions every month. Collectively, they have made more than 750 million transactions, with an annual run rate of over \$30 billion, the company said. Google Pay has language support for eight languages — English, Hindi, Bengali, Gujarati, Kannada, Marathi, Tamil and Telugu.

India is an important market for digital payments for a number of global players. Digital payments in India, currently estimated at around \$200 billion, are projected to rise fivefold in the next five years to touch \$1 trillion, according to an estimate made by Credit Suisse. At this point, the value of digital payments will rise from around 10% right now to around 25%, a February report by the investment bank stated.

Economic Times

4. RBI employees' 2-day mass leave to paralyse banking operations

PTI

The two-day mass casual leave on September 4 and 5 called by the United Forum of Reserve Bank Officers and Employees (UFRBOE) is likely to paralyse operations of the central bank and other major lenders across the country.

"UFRBOE has called the mass casual leave on September 4 and 5 which will be participated by all officers, paralysing the central bank's functions for two days," UFRBOE member and All India Reserve Bank Employees Association General Secretary Samir Ghosh told reporters here.

The main demands of the forum are providing an option to contributory provident fund (CPF) retainers to switch over to pension scheme, and grant of additional provident fund (APF) to those recruited in the bank from 2012.

Business Line

5. LIC-IDBI Bank deal hits legal hurdle

OUR BUREAU

Delhi High Court seeks details of relaxation of investment norms. Life Insurance Corporation of India's (LIC) bid to acquire majority stake in IDBI Bank has hit a legal hurdle, with the Delhi High Court asking the insurance major not to proceed with the deal till August 30.

This comes after a writ petition was filed by the All-India IDBI Bank Officers' Association challenging the deal on the ground that it would cause hardship to the bank's employees.

The court had on Friday issued notice to the Centre and the insurer seeking their response to the Association's petition.

According to Bloomberg, the court has sought details of the reason why investment regulations were relaxed and has asked LIC not to proceed with the deal until the next hearing.

A one-time exemption was given to LIC to raise its stake in IDBI Bank to 51 per cent even though under the Insurance Act, an insurer is not allowed to hold more than 15 per cent stake in another company.

The Association had filed a writ petition in the Delhi High Court under Article 226 of the Constitution seeking a direction to the government disallowing it from reducing its shareholding in IDBI Bank Ltd below 51 per cent.

In its petition, the Association claimed that "the acquisition will result in the loss of the status of IDBI Bank as a 'public sector bank' and a 'government company', which is in violation of Parliamentary assurances" (that the government shall at all times maintain not less than 51 per cent of the issued capital of the company).

Despite the legal proceedings, LIC on Tuesday took the first step towards acquiring majority ownership in the lender. In a stock exchange filing, IDBI Bank said that LIC has given "in-principle approval for subscription of the equity shares on preferential basis subject to their total exposure not exceeding 14.90 per cent of post-issue capital of IDBI Bank at any point of time."

As at June-end, the government had 85.96 per cent stake in IDBI Bank while the public held the balance. Within the public shareholding, LIC was the single largest shareholder, with 7.98 per cent stake.

Board meet

IDBI Bank said its Board will meet on August 31 to consider the proposal to seek shareholders' approval through a postal ballot for a preferential issue of capital to LIC.

The insurer's board is expected to meet in the first week of September to take further steps to acquire majority stake in the bank.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY

