



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

163/4, Kutcheri Road, Mylapore, Chennai - 600004

E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
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Dear Comrades,

11 th July , 2018

News of Interest 11th JUL

MOTIVATIONAL QUOTES

‘YOU CAN’T CROSS THE SEA MERELY BY STANDING AND STARING AT THE WATER. ‘

RABINDRANATH TAGORE

HIGHLIGHTS

1. WHO WILL SUCCEED CEO SHIKHA SHARMA? AXIS BANK SHORTLISTS THREE CANDIDATES
2. CBI BOOKS THREE MUMBAI COMPANIES FOR BANKING FRAUD AS SBI LOSES RS 1.36 BN
3. PAY OR PERISH: BANKRUPTCY LAW IS THE PUSH INDIAN COMPANIES NEEDED TO PAY UP
4. PNB SEPARATES LOAN APPRAISAL, MONITORING TO REDUCE CREDIT RISK
5. INDUSIND BANK: STARTS YEAR ON A POSITIVE NOTE

Business Standard

1. Who will succeed CEO Shikha Sharma? Axis Bank shortlists three candidates

Axis Bank will be submitting its application in respect of the recommendations relating to the said appointment, for the approval of the RBI

[Press Trust of India](#)

Axis Bank on Tuesday said it has shortlisted three candidates to succeed the MD & CEO Shikha Sharma, whose term is due to expire in December this year.

The bank, however, did not disclose names of the candidates shortlisted for the post.

In terms of extant RBI norms and the succession planning process of the bank, the Board of Directors of the bank at its meeting held on July 9, 2018, has recommended the names of three candidates, in order of preference, for the approval of the RBI, Axis Bank said in a regulatory filing.

"The candidate as approved by the RBI, will succeed Shikha Sharma, whose term as the Managing Director & CEO of the Bank, is due to expire on 31st December 2018," the bank said.

Axis Bank will be submitting its application in respect of the recommendations relating to the said appointment, for the approval of the RBI, it added further.

Earlier in April, the bank CEO had wanted her new term to be reduced to seven months from three-year tenure, which was accepted by the bank board subsequently.

Sharma had completed her third term as MD and CEO of Axis Bank on May 31. However, she had not intimated the reason for an early exit from the bank.

The bank board had decided to reappoint her as the MD&CEO for a period of three years with effect from June 1, 2018.

2. CBI books three Mumbai companies for banking fraud as SBI loses Rs 1.36 bn

Searches were conducted at 17 places in Mumbai, Raigad, Malegaon, Amravati, according to a CBI official

Press Trust of India

The CBI has registered three separate cases of banking fraud against three Mumbai-based companies for an alleged banking fraud that caused a cumulative loss of over Rs 1.36 billion to State Bank of India, officials said here today.

One of the cases is against Top Worth Pipes and Tubes Pvt. Ltd, its Directors Abhay Narendra Lodha, Shishir Shivaji Hiray, Harshraj Shantilal Bagmar, the then SBI officials AGM Thyagaraju Inamanamelluri, Deputy Manager Vilas Narhar Ahirrao, Deputy Manager, Madhura Mangesh Sawant for allegedly causing a loss of Rs 568.1 million to the bank, the officials said.

The second case was registered against Maheep Marketing Pvt. Ltd, its Directors Gajendra Sandim, Hemant Sanghvi and the three SBI officials for allegedly causing loss of Rs 499.9 million, they said.

The third case is against Harsh Steel Trade Pvt Ltd and its Directors Chetan Jitendra Mehta and Mahadev Ramchandra Shringare, the then officials of the SBI, AGM Jagdish Kulkarni and Deputy Manager Sadanand Girkar for allegedly causing loss of Rs 301.3 million.

"It was alleged that the said private companies enjoyed bill discounting facilities against the Letters of Credit issued by State Bank of India, D N Road branch and PM Road Branch, Fort, Mumbai."

"However, these bills were returned unpaid by the concerned banks, since it was observed that there were instances of diversion of funds and misrepresentations by the companies," CBI Spokesperson Abhishek Dayal said.

He said the internal enquiry by the bank also revealed irregularities such as raising multiple invoices, false lorry receipts showing incorrect vehicle registration numbers and vehicles other than heavy goods transport vehicles being shown as means of transportation.

Dayal said searches were conducted at 17 places in Mumbai, Raigad, Malegaon, Amravati including office and residential premises of the accused which led to recovery of "incriminating documents".

Financial Express

3. Pay or perish: Bankruptcy law is the push Indian companies needed to pay up

India's new bankruptcy law has instilled fear among delinquent borrowers and prompted several reluctant founders to repay outstanding debt due to the risk of losing their company, according to its insolvency regulator

By: Bloomberg

India's new bankruptcy law has instilled fear among delinquent borrowers and prompted several reluctant founders to repay outstanding debt due to the risk of losing their company, according to its insolvency regulator.

"There is a perceptible difference in the behavior of borrowers and lenders," M.S. Sahoo, chairman of the Insolvency and Bankruptcy Board of India, said, referring to the period since the introduction of Insolvency and Bankruptcy Code in 2016. "The stakeholders know that the firm goes into liquidation if they fail to arrive at a resolution plan within the specified time."

Companies facing bankruptcy petitions have reportedly cleared dues of as much as 830 billion rupees (\$12 billion) with creditors, Sahoo said in an interview at his New Delhi office last week. This will support growth by improving capacity utilization and rescuing failed businesses, he said.

The insolvency code replaced a web of archaic laws, some dating back a 100 years, and helped India jump 30 points to make it to the top 100 countries in World Bank's ease of doing business rankings. The new law is key for Prime Minister Narendra Modi to wipe out bad loans and boost growth in Asia's third-largest economy.

The law empowers lenders to drag companies that have defaulted for 90 days on debt exceeding 100,000 rupees to the bankruptcy court which then places it under an administrator to examine a revival or an outright sale. If a plan is not worked out within three quarters, then the company's assets get liquidated. The objective was to bring debt-laden companies back on their feet and help banks free up \$210 billion of stressed assets for lending.

A report by the Reserve Bank of India estimates that gross bad-loan ratio may increase to 12.2 percent by March 2019 from 11.6 percent in the previous year, limiting bank's ability to lend to businesses.

Next Phase

The government is also working to put in place, as early as next month, new rules to hold accountable individuals, who stood guarantee for loans to a company, in case of a default. The scope of the regulation would later be expanded to include individual businessmen and eventually every private citizen.

India is also planning regulations on cross-border insolvency to pursue foreign assets of a defaulting company. It is working on the model cross-border insolvency law adopted by the United Nations Commission on International Trade Law to harmonize cooperation between countries.

Work on that front has already begun, Sahoo said, adding the government would need to amend the law to incorporate the proposed changes.

Even as the government tries to widen the scope of bankruptcy law, bitter court battles have bogged down efforts to clean up bad loans through the new code and companies are missing the 270-day deadline for resolution. The government is running against time to fix the legal and operational issues that keep cropping up and has tweaked the norms several times. Rival bidders and former owners have appealed against two of the biggest insolvency cases to be resolved— Tata Steel's \$5.1 billion winning bid for Bhushan Steel Ltd., and Vedanta's \$770 million buyout plan for Electrosteel Steels Ltd.

"If you are flying an aircraft at 30,000 feet and it has developed a snag, you don't have the luxury to come down to the ground and repair it." Sahoo said. "Laws need to be made as and when the market needs it. If you do not respond promptly the loss is much more."

Economic Times

4. PNB separates loan appraisal, monitoring to reduce credit risk

PTI|

PNB today said it has segregated its loan appraisal and monitoring system and created various verticals to reduce credit risk, in the aftermath of the Rs 14,000-crore Nirav Modi fraud.

Further, Punjab National BankNSE 0.06 % (PNB) said it is taking steps against erring employees, legal action against the fraud perpetrators and closely cooperating with the regulators and law enforcement agencies.

"Technology based offsite audit system for monitoring alerts in CBS is in operation now. Loan appraisal and monitoring system have been segregated. Different verticals have been created for sourcing, initial due diligence, processing, monitoring and recovery of loans for reducing people risk, operational risk and credit risk," it said in its Annual Report 2017-18 published today.

Going forward, it will continue its concerted efforts in addressing the asset quality concerns and strengthening its balance sheet to reinvigorate credit growth, the bank said.

PNB suffered a fraud of Rs 14,357 crore allegedly carried out by celebrity jewellery designer Nirav Modi and his associates in connivance with certain officials at its Brady House branch in Mumbai, wherein letters of undertakings (LoUs)/foreign letter of credits (FLCs) were issued fraudulently to some overseas branches.

PNB posted a historic loss of Rs 12,283 crore during the fiscal ended March 2018 due to higher provisioning for non-performing assets, mark-to-market losses in treasury portfolio and provisioning for fraud.

"Despite being a challenging year, your bank crossed the milestone of Rs 10 lakh crore in domestic business as on March 31, 2018. Looking ahead, the banking sector's key concern over high level of stressed assets is likely to be addressed under the new overarching framework of Insolvency and Bankruptcy Code," Chairman Sunil Mehta said in his address to shareholders.

PNB is well positioned to capitalise on new opportunities for profitable growth and value creation for all its stakeholders, he said.

"The audit/compliance infrastructure is being strengthened and risk processes have been reengineered," he added.

Managing Director and Chief Executive Officer, also named Sunil Mehta, said the incident at Brady House branch was "an unfortunate, one-off" incident caused by few employees in a single branch.

"An isolated incident cannot undermine our relentless spirit and battle hardened confidence that makes us a leading bank. We are now even more determined and committed to improve performance," he said.

PNB said the bank is focussing on adjustments that are conducive to improving risk management, improved accountability and profitability.

PNB said the liabilities amounting to Rs 6,586.11 crore on account of LOUs/FLCs which became due on March 31, 2018 have been fully honoured and paid by the bank.

It has further created liability of Rs 6,960 crore in its books as a prudent measure in respect of balance LOUs/FLC relating to this fraud which are due after March.

The slippages due to fraud in March'18 were Rs 7,579 crore.

Business Line

5. IndusInd Bank: Starts year on a positive note

RADHIKA MERWIN

Core performance healthy despite slight dip in margins.

A loan growth above industry average, healthy growth in fee income and steady asset quality have helped private lender IndusInd Bank kick off the earnings season on an upbeat note.

The concern over bad loan divergence that had weighed on the bank in the March quarter appears to have abated for now.

The bank's gross non-performing assets stood at a comfortable 1.15 per cent of loans in the June 2018 quarter. But for the slight fall in its net

interest margin, IndusInd's core performance seems to have checked all the right boxes.

CV financing

For IndusInd, which has a well-diversified loan portfolio, growth has not been an issue. After clocking a robust 28 per cent growth in loans in FY18, the bank began the current fiscal too on a strong footing.

The 29 per cent Y-o-Y growth in credit in the June quarter has been driven by healthy traction in both corporate and retail loans. What has particularly aided the bank's core performance over the past three to four quarters has been the steady up-tick in commercial vehicle financing that took a knock in FY17.

After clocking a modest 11 per cent growth in FY17, CV loans reported a 27 per cent Y-o-Y growth in FY18.

The growth has further moved up to 33 per cent in the latest June quarter. Broad macro indicators only suggest steady traction within the CV space, going ahead.

Other segments within retail are in any case firing on all cylinders. Corporate loans, too, have seen strong growth, aiding overall loan growth.

In the June quarter, IndusInd witnessed a marginal dip in its net interest margin. One reason could be the strong growth in corporate loans (vis-à-vis retail loans), which carry a relatively lower yield.

Two, IndusInd's relatively higher proportion of fixed rate loans (70 per cent) that aided margins in a falling rate scenario, could weigh somewhat on margins as deposit rates continue to rise.

That said, the bank's healthy share of low-cost CASA deposits and strong loan growth should keep margins within a narrow band.

Over the past year, steep bad loan divergences reported by banks – both public and private sector banks – have been a cause for worry.

In the previous March quarter too, IndusInd had reported ₹1,350 crore of bad loan divergences pertaining to FY17.

The RBI's February circular on stressed accounts that has done away with all the old restructuring schemes has somewhat narrowed the possibility of sharp divergences, going ahead.

Nonetheless, the divergence report for FY18 will be a key factor to watch for to assess the big picture on asset quality. IndusInd's GNPA ratio has been around the 1 per cent mark over the past four to five years. A notable spike could unsettle investors.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY