



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION

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Dear Comrades,

2nd June , 2018

News of Interest 2nd JUN

MOTIVATIONAL QUOTES

'NO AMOUNT OF EXPERIMENTATION CAN EVER PROVE ME RIGHT; A SINGLE
EXPERIMENT CAN PROVE ME WRONG.

ALBERT EINSTEIN'

HIGHLIGHTS

1. SBI RAISES LENDING RATES BY 10 BPS, FOLLOWED BY PNB, ICICI BANK, HDFC
2. RBI NOTE ON STRESSED ASSETS: ALLAHABAD HIGH COURT RELIEF TO POWER FIRMS
3. 9 PSU BANKS UNDER PROMPT CORRECTIVE ACTION SUBMIT RECOVERY PLAN TO GOVERNMENT
4. WHISTLE-BLOWER LEVELS FRESH ALLEGATIONS OF QUID PRO QUO DEALS AGAINST ICICI'S CHANDA KOCHHAR
5. RBI LIKELY TO LEAVE REPO RATE UNCHANGED AT 6%: ICRA

Business Standard

1. SBI raises lending rates by 10 bps, followed by PNB, ICICI Bank, HDFC

SBI's one-year MCLR, which most loans are based on, is now 8.25%

BS Reporter

State Bank of India (SBI) raised its benchmark lending rates by 10 basis points (bps), followed by Punjab National Bank (PNB), ICICI Bank, Kotak Mahindra Bank and Housing Development Finance Corp (HDFC).

Bankers said it was to pass on the rising cost of funds to customers and an effort to protect the net interest margin. As the rise was small, it would not affect demand for credit.

While SBI, ICICI, Kotak Mahindra and PNB raised their marginal cost of funds-based lending rate (MCLR) by 10 basis points, HDFC raised its retail prime lending rate likewise. While the others kept the base rate unchanged, PNB raised its by 10 basis points.

SBI's one-year MCLR, which most loans are based on, is now 8.25 per cent. Those of ICICI and PNB are 8.4 per cent and Kotak Mahindra's is 8.9 per cent.

Interest rates on all rupee loans sanctioned and credit limits renewed, other than exceptions permitted by the Reserve Bank, are priced with reference to the MCLR from April 2016.

HDFC's revised home loan interest rates are 8.5-8.8 per cent. Up to Rs 3 million, the new rate is 8.5 per cent for women and 8.55 per cent for men. From Rs 3 million to Rs 7.5 million, it is 8.65 per cent for women and 8.7 per cent for others.

This is SBI's second hike in MCLR this year. It had done so in March, its first rate hike since the MCLR regime was introduced in April 2016. Earlier this week, it had raised the interest rate up to 25 bps in some maturity buckets of domestic term deposits, to stay competitive in retaining money.

Financial Express

2. RBI note on stressed assets: Allahabad High Court relief to power firms

Allahabad HC asks finmin to hold meeting of other ministries, RBI, IBBI in June to find a solution

By: FE Bureau

The Allahabad High Court has given a reprieve to a clutch of power projects under severe financial stress and facing the threat of being pushed into insolvency proceedings by ordering that no action be taken in their cases under the Reserve Bank of India's (RBI) February 12 circular mandating early detection and resolution of stressed assets till the finance ministry called a meeting of relevant stakeholders in June to see if the issues could be resolved. The court's ruling on Thursday, though applicable to only the petitioners under the banner of Independent Power Producers' Association of India, would be welcomed by banks who have been unhappy over the circular curtailing their freedom in dealing with stressed assets in various sectors.

While the HC hasn't set aside the RBI's circular — it hasn't even stayed it — its directive could spur demand for similar relief from stressed companies in other sectors, especially steel, and could even lead to an unravelling of the strict regime put in place by the central bank, analysts warned. The court asked the finance secretary to hold the meeting with his counterparts in the power, petroleum and coal ministries as well as the representatives of the RBI and the Insolvency and Bankruptcy Board of India.

The finance ministry, which had earlier written to the RBI seeking a relaxation of the circular, is likely to seize the opportunity provided by the court's order to press the case. "We will soon convene the meeting, given the urgency of the matter, and take the power ministry on board as well for a comprehensive appreciation of the issues plaguing the sector," a senior government official told FE.

The power ministry has been vocal against the RBI circular's "impracticality" and a parliamentary panel too had concurred with it, saying, many power plants were "currently under SMA-1/2 stage or on the brink of becoming NPAs (non-performing assets)" due to "unforeseen circumstances" that hit their cash flows, credit rating, etc.

The RBI's circular requires banks to finalise a resolution plan in case of a default on large accounts of Rs 2,000 crore and above within 180 days (irrespective of sectors), failing which insolvency proceedings will have to be invoked against the defaulter. Ruling to have little impact on asset quality: Lenders, P12 Since the deadline for the resolution of the first set of such cases is end-August, power producers have been seeking urgent relief.

Some lenders to power assets, however, told FE the court ruling will have little impact on their asset quality as they have already classified a majority of their power sector loans as non-performing following the central bank circular. NPAs in the power generation sector have more than doubled to around Rs 70,000 crore from Rs 34,244 crore a year ago. About 10,000 MW power generation assets with debts of over Rs 34,600 crore are now before National Company Law Tribunal, constituting 18% of the sector's exposure to lenders.

Out of these assets, 8,800 MW (debt of Rs 24,000 crore) are in early stages of construction with major milestones yet to be achieved. Some large power generation projects in the NCLT belong to companies such as Lanco, Monnet Power, East Coast Energy and Essar Power. Sources had said the finance ministry was of the opinion that lenders be given a year to finalise the resolution plan, instead of just six months, especially for the infrastructure sector.

The power producers had approached the HC for relief, arguing that the stress in the sector is often caused by factors beyond their control. Both the power ministry and producers had also petitioned the RBI for relief, but the central bank is learnt to have declined to offer any sector-specific relief. Even the banks, under the aegis of the Indian Banks' Association, have written to the RBI for the relief.

What also makes the power players worried is the stipulation that where a loan is restructured as part of the resolution plan, the account should not be in default at any point of time until 20% of the dues are settled; else insolvency application will have to be filed by lenders within 15 days. Since loans to the power sector are usually long-term in nature, it takes three to five years to clear a fifth of the loan amount; so one default during this period can be costly. The circular also stipulates a one-day default rule on term loans, which mandates treating a borrower who misses repayments as a defaulter the very next day.

The central bank last month justified its move on default rule, saying it is aimed at stoking behavioural change at banks.

Total loans by banks to the power sector stood at Rs 5.18 lakh crore as on April 27, 2018. Power sector loans of as much as \$38 billion (around Rs 2.5 lakh crore) have the potential of being written off as bad loans, Bank of America-Merrill Lynch said in a report in April. The overall gross NPAs of all banks touched Rs 8.41 lakh crore by December 2017.

The HC on Friday cited a portion of the parliamentary panel report, which had recognised that stress in the power sector is often caused by factors — including fuel shortage, sub-optimal loading, untied capacities, absence of fuel supply agreements and lack of power purchase agreements — beyond the control of these companies. “Hence, simply applying the RBI guidelines mechanically by the banks, financial institutions, joint lender forums will push these plants further into trouble without any hope of recovery,” the panel had said in the report.

Some banks have chosen other routes to get rid of stressed power loans. Axis Bank recently put on sale a 600 MW thermal power plant in Madhya Pradesh set up by the Avantha Group-owned Jhabua Power. Last month, Union Bank had told analysts that it may see slippages worth Rs 5,000-6,000 crore in the power sector in FY19.

3. 9 PSU banks under Prompt Corrective Action submit recovery plan to government

Finance Minister Piyush Goyal had last month asked 11 PSU banks to come up with a plan to strengthen finances and meet the RBI's capital adequacy norms, of which 9 banks have already submitted report to the Department of Financial Services

By: PTI

As many as 9 PSU banks, which are currently under RBI watch for poor financial health, have submitted a two-year recovery plan to the government entailing stake sale in subsidiaries and reduction of corporate loan book. Finance Minister Piyush Goyal had last month asked these 11 PSU banks to come up with a plan to strengthen finances and meet the RBI's capital adequacy norms. Of these, 9 banks have already submitted report to the Department of Financial Services, an official said.

The 11 banks under Prompt Corrective Action (PCA) are Dena Bank, Allahabad Bank, United Bank of India, Corporation Bank, IDBI Bank, UCO Bank, Bank of India, Central Bank of India, Indian Overseas Bank, Oriental Bank of Commerce and Bank of Maharashtra. Under the PCA, banks face restrictions on distributing dividends and remitting profits. The owner may be asked to infuse capital into the lender. Besides, the lenders are stopped from expanding their branch networks and need to maintain higher provisions. Management compensation and directors fees are also capped.

The recovery plan as presented by these banks include cost cutting, reducing branches size, closing foreign branches, shrinking corporate loan book as well as sell risky assets to other lenders, the official said. During its meeting with the PCA banks, the Finance Ministry had asked them to actively consider stake sale in subsidiaries, maintain capital adequacy and conservation buffer, the official added. Attributing the bad financial health of

the PSU banks to reckless lending during the Congress regime, Goyal today said the present NDA government is trying to fix the banking sector woes.

"During the Congress regime, PSU banks gave loans recklessly, which impacted their financial health. Those loans were also restructured to present a distorted picture. The present government has provided the true picture of the health of banks and is now making effort to improve their finances," Goyal said in a tweet. In October last year, the government had announced plans of massive capital infusion of Rs 2.11 lakh crore spread over two fiscals — 2017-18 and 2018-19.

Economic Times

4. Whistle-blower levels fresh allegations of quid pro quo deals against ICICI's Chanda Kochhar

PTI

Levelling fresh allegations of quid pro quo deals by the ICICI Bank MD and CEO Chanda Kochhar, the independent activist and whistle-blower Arvind Gupta has alleged that Ruia brothers of Essar group got undue favours from the bank for "round-tripping" investments into her spouse Deepak Kochhar's NuPower Group.

The Ruias funded the NuPower and its subsidiary through their son-in-law Nishant Kanodia and nephew Anirudh Bhuwarka during December 2010 to March 2012 by subscribing to compulsorily convertible preference shares and equity shares, Gupta has alleged in his fresh letter dated May 11, 2018, addressed to Prime Minister Narendra Modi.

Almost two years back (March 2016), he had written a letter to the prime minister alleging dirty dealings between the bank, through Chanda Kochhar, and the Videocon Group to benefit her family.

Citing data accessed from the Registrar of Companies (RoC) filings by NuPower Renewables, Gupta's letter reveals that Nishant Kanodia (husband of Ravi Ruia's daughter Smiti Ruia) invested in NuPower via First land Holdings, Mauritius -the holding company of Matrix Group (co-promoted by Kanodia).

First land Holdings, Mauritius subscribed to a total of 3,243,752 share of Rs 1,000 each of NuPower Renewable Ltd during December 31, 2010, to March 21, 2012, in four different tranches amounting to Rs 324.37 crore, as per the RoC filings by NuPower.

Anirudh Bhuwarka, nephew of Shashi Ruia, owned A-One Motors & Services Ltd acquired NuPower Technologies through AMW Motors Ltd which is owned and controlled by Asia Motor Works Holdings Ltd -- eventually controlled by the Essar Group, the letter writes.

"Essar Group has round tripped investment payments to NuPower group via First land Holdings, Mauritius and had handsomely rewarded Deepak Kochhar...The Matrix Group front ended the First land Holdings, Mauritius for investing Rs 325 crore in the NuPower Group -- the group owned by the husband of Chanda Kochhar.

"Evidently, the malice of quid pro quo extends to another crony capitalist -

the Ruia brothers of the Essar Group now headquartered in Mauritius -- the safe haven and a safe passage for global money laundering," Gupta said.

These dealings happened during the period when Essar Group got sweetheart deals from ICICI Bank's overseas branches in Singapore, the UK and New York to acquire Essar Steel Minnesota (USA) and Algoma Steel (Canada), the letter alleged.

The lender through a consortium as a lead banker lent USD 530 million to Essar Steel in 2010, to Essar Oil USD 350 million to acquire Stan low refinery in the UK, it said. ..

"All these investments by the Essar Group turned bad and have faced liquidation and bankruptcy proceedings for recovery of the investments," Gupta said in his letter.

Further, he has alleged that Essar Capital Holdings, Mauritius compensated the Matrix Group for funding NuPower Renewable group by subscribing to the equity offering by the Matrix Fertilisers and Chemicals during December 2010 to August 2011 by buying 163,540,343 shares of Rs 10 each for Rs 163.53 crore.

When asked for comments on the whistle-blower's letter, ICICI Bank said: Typically, we do not respond to client specific queries...With regards to Essar Steel Minnesota, we would like to inform you that a consortium of seven Indian banks including ICICI Bank had sanctioned loans to the entity. Also, large US funds gave loans to the company. Out of the total debt of the company of USD 1.02 billion, ICICI Bank's share was less than 25 per cent."

It also said that the figure of USD 530 million loan was "grossly overstated".

"Due to various factors, the loan facilities provided to this project were classified as non-performing by all lenders. The resolution process pursuant to the same is under process. Further, we would like to state that while sanctioning this loan, all the internal processes of credit risk rating, credit appraisal and credit approval were duly followed within the bank. Hence, it will be totally inappropriate and misleading to attribute any wrong motives to ICICI Bank for these loans."

An Essar group spokesperson said, "A letter by one Arvind Gupta has made certain libellous accusations against Essar. We strongly condemn these allegations, which are clearly motivated. Essar does not have any business interest in First land Holdings Ltd."

"Moreover, as we understand, AMW Motors Limited Mumbai has not made the investment of Rs 197 crore in NuPower, contrary to the claims made in the letter. Essar has been dealing with ICICI since 1980. All transactions with them have been made in a very open and transparent manner, and in accordance with all applicable laws of the land," it added.

While Matrix Group said it categorically and unequivocally refutes the allegations made in the letter purportedly written by one Arvind Gupta.

"The letter makes claims that are completely false and baseless, and seem to be driven by a vested interest and an ulterior motive. Essar does not have any business interest in First land Holdings, contrary to what is being alleged. Firstland Holdings' investment in NuPower was made on merit to

participate in the renewable energy sector, and has since been divested. No loans were ever taken by Matix from ICICI Bank," Matrix said in a statement.

Embattling crisis at the top-level, ICICI Bank earlier this week said its board has decided to launch an independent enquiry into allegations of 'conflict of interest' and 'quid pro quo' in Kochhar's dealing with certain borrowers. The matter relates with allegations of involvement of Kochhar and her family members in a loan provided to Videocon group on a quid pro quo basis.

Earlier today, the bank came with a clarification that Kochhar has not been sent on leave and is out of office due to her planned annual leaves.

Not to mention, the board of the bank in earlier in March-end this year had fully backed the bank CMD denying any wrongdoing on her part. The Reserve Bank in its 2016 investigation in the matter had raised questions over the ownership of the Mauritius-based entity, First Land Holding, which had invested Rs 325 crore in NuPower.

Business Line

5. RBI likely to leave repo rate unchanged at 6%: ICRA

OUR BUREAU

The six-member Monetary Policy Committee (MPC) is likely to leave the repo rate unchanged at 6 per cent in a close decision in the June 2018 policy review, amid uncertainty on the impact of some key inflationary risks, according to credit rating agency ICRA. Nevertheless, the tone of the policy document is likely to signal a withdrawal of accommodation and a rate hike could be imminent, it added.

Naresh Takkar, Managing Director and Group CEO, ICRA, said: "Although the headline and the core CPI (consumer price index) inflation for April 2018 revealed negative surprises, an immediate rate hike may be premature, given the lack of clarity on factors such as the 2018 monsoons, the minimum support price (MSPs) and fiscal risks.

"However, the expected rebound in the average CPI inflation for FY2019, in conjunction with the higher-than-anticipated GDP expansion in Q4 (January-March) FY2018, suggests that a back-ended rate hike cannot be ruled out, which is likely to be reflected in the tone of the policy document."

Takkar observed that if the availability of capital constrains credit growth of the public sector banks, particularly those under the prompt corrective action (PCA) framework, it may hamper the ability of lower rated firms as well as SMEs to access adequate financing.

Higher rated corporates are likely to tap the domestic bond market (despite elevated domestic bond yields) and external commercial borrowings (despite higher global rates) for their financing needs, he said.

Lending rates to go up

ICRA, in a statement said, while bond yields have already hardened, the back-ended monetary tightening in 2018 may push up bank lending rates. Accordingly, interest costs are likely to rise in the current fiscal, which would weigh upon margins as well as the strength of the investment recovery in FY2019.

The year-on-year (YoY) CPI inflation prints, released since the last policy review, have provided a mixed trend, with a dip from 4.4 per cent in February 2018 to 4.3 per cent in March 2018, followed by a sharper-than-expected rise to 4.6 per cent in April 2018.

ICRA underscored that some of the risks highlighted by the MPC in their April 2018 policy review, have come to the fore, such as the substantial rise in global crude oil prices, accompanied by a depreciation of the Indian rupee. Moreover, the core CPI inflation has recorded a sharp uptick to a 44-month high of 5.9 per cent in April 2018, it added.

“Greater clarity is awaited on the level at which MSPs (minimum support price) are fixed for the upcoming kharif season, as well as the eventual volume and dispersion of the monsoons in 2018.

However, the momentum of the seasonal uptick in food prices continues to be dampened by the weakness in items such as sugar, pulses and onions,” said the agency’s statement. The decline in the CPI inflation from 4.5 per cent in FY2017 to 3.6 per cent in FY 2018, was accompanied by one rate cut in 2017.

While the monthly CPI inflation prints are likely to remain volatile going forward, ICRA expects the average CPI inflation to rebound to 4.6 per cent in FY2019, which suggests an imminent rate hike in H2 (July-December) CY2018.

However, there is a low likelihood of immediate monetary tightening in the June 2018 policy review, as the prevailing lack of clarity on factors such as the 2018 monsoons, the MSPs and fiscal risks, are likely to evince varied responses from the MPC members.

“While the decision to leave the repo rate unchanged at 6 per cent in June 2018 is likely to be non-unanimous, the tone of the policy document is likely to signal that a withdrawal of accommodation and a rate hike could be imminent,” said ICRA.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY