



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

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Dear Comrades,

28th June , 2018

News of Interest 28th JUN

MOTIVATIONAL QUOTES

“WE AIM ABOVE THE MARK TO HIT THE MARK. “

RALPH WALDO EMERSON

HIGHLIGHTS

1. CANARA BANK TO RAISE RS 10 BILLION UNDER EMPLOYEE STOCK PURCHASE SCHEME
2. BANK OF MAHARASHTRA'S MD AND CEO RAVINDRA MARATHE GETS BAIL IN DSKDL CHEATING CASE
3. INDIA'S BANKING ZOMBIES POSE A PROBLEM
4. GOVERNMENT RED CARDS BAD BANK IDEA, BENCHES ARC PLAN
5. LVB FACES TROUBLE OVER ₹723-CR LOAN TO SINGH BROTHERS
6. OFFICERS PROTEST 83% HAIRCUT ON SALE OF ALOK INDS TO RIL-JM FIN

Business Standard

1. Canara Bank to raise Rs 10 billion under employee stock purchase scheme

PNB, Allahabad Bank and United Bank have already announced plans under employee stock option schemes

[Press Trust of India](#)

State-owned Canara Bank will issue up to 60 million equity shares to its staff to raise up to Rs 10 billion under employee stock purchase scheme.

The bank has plans to raise Rs 70 billion during 2018-19.

"The board has decided to raise equity share capital up to Rs 600 million (i.e up to 60 million equity shares), through Canara Bank Employee Share Purchase Scheme (Can Bank-ESPS) amounting to a maximum of Rs 10 billion," the bank said in a regulatory filing.

The capital is to be raised in one or more tranches subject to mandatory/regulatory approvals from various agencies, including the government.

The government in March 2017 had allowed public sector banks to offer stock options to their employees, aimed at retaining experienced hands and better incentives besides a means of capital raise.

Punjab National Bank, Allahabad Bank and United Bank have already announced their plans under employee stock option schemes.

Financial Express

2. Bank of Maharashtra's MD and CEO Ravindra Marathe gets bail in DSKDL cheating case

A special Pune court today granted bail to Bank of Maharashtra's Managing Director and CEO Ravindra Marathe in a cheating case involving city-based real estate developer D S Kulkarni and his wife, among others

By: PTI

A special Pune court today granted bail to Bank of Maharashtra's Managing Director and CEO Ravindra Marathe in a cheating case involving city-based real estate developer D S Kulkarni and his wife, among others. Judge S N Sardesai of the special court set up under the Maharashtra Protection of Interest of Depositors (MPID) Act granted the relief to Marathe on a surety bond of Rs 50,000. While granting bail to Marathe, the court remanded other persons arrested in the case in judicial custody for 14 days.

The other accused arrested in the case included the bank's Executive Director Rajendra Gupta, Zonal Manager Nityanand Deshpande, former CMD Sushil Muhnot, besides D S Kulkarni Developers Ltd's (DSKDL's) chartered accountant Sunil Ghatpande and DSKDL's engineering section's vice president Rajeev Newaskar. "Marathe has been granted bail on surety bond of Rs 50,000," said defence counsel for Harshad Nimbalkar and other bank officials.

While granting the relief, the barred him from leaving the country without its permission and ordered him to cooperate with police, he said, adding it also warned Marathe against trying to tamper with the evidence or influence witnesses. Nimbalkar said the argument on the bail applications of the remaining five accused will be heard tomorrow. The Economic Offences Wing of Pune Police had last week arrested Marathe and other top officials of the bank on charges of misusing their official positions for sanctioning and disbursing loan to D S Kulkarni's firm DSKDL.

Marathe, through his lawyer, had contended in his bail plea that his arrest was illegal because the police had failed to take prior permission of the RBI for his arrest and prosecution, which, he said was necessary as he "holds the rank of a secretary" by virtue of his position as MD and CEO. The court granted bail after the prosecution said that further custodial

interrogation of Marathe was not required as the necessary documents have already been seized.

According to the police, the bank officials had colluded with DSKDL by misusing their powers and authority with a "dishonest and fraudulent intention" to sanction and disburse the amount under the garb of a loan. In May, the city police had filed a 37,000-page charge sheet against DSK and his wife in the case.

As per the charge sheet, the total "scam" is worth Rs 2,043.18 crore, wherein the accused floated nine different firms to siphon off funds collected from 33,000 investors and fixed-deposit (FD) holders, who were promised good returns on their FDs.

3. India's banking zombies pose a problem

India's state banks are beginning to resemble the walking dead. Of 21 government-controlled lenders, eleven face growth restrictions and the same amount will soon be without a boss. Some chief executives have been arrested, while others face corruption investigations

By: Reuters

India's state banks are beginning to resemble the walking dead. Of 21 government-controlled lenders, eleven face growth restrictions and the same amount will soon be without a boss. Some chief executives have been arrested, while others face corruption investigations. New Delhi may be letting these entities run deep into the ground as part of tacit plan to privatise by stealth. The real thing would be less embarrassing and more efficient.

State lenders account for about 70 percent of total bank assets, in a system choked by \$150 billion of bad loans. There are a handful of large names, led by the \$35 billion State Bank of India, that trade at book value and can still raise capital from the market. Beneath those are smaller banks with crippling bad loans and returns so ghastly that the Reserve Bank of India has imposed strict curbs. To make matters worse, many of the deeply troubled banks are also headless. Three lenders have been without chief executives since the end of December, including Dena Bank which has gross dud loans amounting to 22 percent of its total and is no longer allowed to offer customers new advances or hire staff.

Other institutions have lame duck bosses. Bank of Maharashtra Chief Executive Ravindra Marathe was arrested last week, accused of misusing his authority to make improper loans to a property developer. Last month, Allahabad Bank stripped Usha Ananthasubramanian of her responsibilities as chief after she was named in a probe at her previous employer, Punjab National Bank, which revealed a nearly \$2 billion fraud in February. In total, eleven state banks will soon be without CEOs, author and consulting editor at Mint newspaper Tamal Bandyopadhyay reckons.

Part of the problem is the failure of New Delhi's efforts to professionalise banks. In 2015, the government recruited P.S. Jayakumar, an ex-Citibank man, to run the \$4.5 billion Bank of Baroda. The experiment turned out to be a one-off. His term is due to end this year, and local media tip him to return to the private sector to lead the \$19 billion Axis Bank . In the current climate of heightened scrutiny – with even innocuous missteps potentially

attracting political heat years later – state banks are unlikely to attract outside talent. That’s especially true with an unusual number of top jobs coming up for grabs in the much better-paid private space in the coming months and years.

One theory for the shambles is that the government is quietly trying to smother weaker banks by restricting their growth. New Delhi has no obvious use for entities that can’t lend and are unable to support economic growth. Politicians have made no secret of their desire for fewer, larger, lenders but the idea of merging weak banks with those doing only slightly better seems increasingly inadequate, as more entities run into trouble.

Letting weaker banks rot would be industry privatisation of a sort, allowing healthier private lenders like the \$80 billion HDFC Bank grow faster by meeting demand for credit. New Delhi remains averse to the genuine article. More than two years ago, Finance Minister Arun Jaitley said the government would consider giving up control of IDBI Bank but failed to find a buyer. Local media say the government is now trying to offload shares to the state-run behemoth Life Insurance Corporation of India, essentially getting taxpayers to fund a bailout. But LIC can’t rescue all the banks.

Real privatisation would be controversial, but less messy. One reason India has struggled to find buyers for banks is the regulator’s reluctance to allow tycoons to own large chunks of lenders. Asia’s richest banker, Uday Kotak, for example, must reduce his near-30 percent stake in the \$37 billion Kotak Mahindra Bank to 15 percent by 2020. Waiving that rule might help to flush out new potential owners. India could then offload weaker banks to large storied corporate names with experience in finance, inviting the likes of Bajaj, Birla, Mahindra and Tata to turn them around.

Prime Minister Narendra Modi’s government has shown it does have an appetite for state sales through its efforts to sell IDBI and Air India, the national carrier. Though both processes ultimately failed, it suggests the broader idea of flogging assets could be revisited if his Bharatiya Janata Party can win another majority in the general election due to be held by May 2019. Until then, banking zombies will roam.

– Three Indian state banks are without chief executives and another eight bosses are due to step down soon, according to Tamal Bandyopadhyay, consulting editor at Mint newspaper and author of “From Lehman to Demonetization”.

– The CEOs of Andhra Bank, Dena Bank, and Punjab & Sind Bank retired in December and the heads of Central Bank of India and Canara Bank will step down soon, followed by the chiefs of Bank of Baroda, Syndicate Bank, Indian Bank, UCO Bank, United Bank of India, and Corporation Bank, Bandyopadhyay wrote in Mint newspaper on June 25.

– On June 20, police arrested Ravindra Marathe, chief executive of Bank of Maharashtra, accusing him of misusing his authority to make loans to a property developer.

– Allahabad Bank in May stripped Usha Ananthasubramanian of her responsibilities as chief executive after she was named in a probe related to fraud-hit Punjab National Bank, where she earlier worked.

– Current and former officials at some other state lenders, including IDBI Bank, Indian Bank, Syndicate Bank and Canara Bank have been investigated over alleged loan fraud cases.

– India has 21 state lenders which account for about 70 percent of total lending.

Economic Times

4. Government red cards bad bank idea, benches ARC plan

By Deepshikha Sikarwar

The government has rejected the idea of a bad bank and is at best lukewarm to an asset reconstruction company (ARC) that will take over state-run banks' toxic loans as it's not keen on diverting more of taxpayers' money toward their resolution in this manner.

The resolution process under the Insolvency and Bankruptcy Code (IBC) can tackle the bigger bad loans and there are multiple ARCs already functioning in the country, a top government official told ET.

"Big cases of loan defaults are already in the process of resolution under the IBC," said the official. "It won't make much sense to have a bad bank for smaller nonperforming assets (NPAs) as not much value can be derived from them."

The idea of a bad bank resurfaced after state-run banks purportedly suggested the creation of an ARC and even wanted to rope in the National Infrastructure Investment Fund (NIIF) toward this end. Moreover, the official cited above said banks are already being capitalised using taxpayers' money and some funds will also need to be invested in a bad bank directly or indirectly, something the government is not keen on.

The plan for a bad bank — essentially a government-funded agency that buys all the bad loans of banks — has been on the table for a while, but the finance ministry has not been keen on the idea. The idea is that such a move would allow the lenders to start on a clean slate, thus boosting credit amid an economic revival.

Finance minister Arun Jaitley has previously made it clear that the government was not in favour of bad loan resolution supported only through the budget. Jaitley is recovering from a recent kidney transplant. Piyush Goyal has been acting finance minister pending his return.

The Economic Survey for 2016-17 had suggested a Public Sector Asset Rehabilitation Agency (PARA), noting that private sector ARCs had not been successful in resolving bad debts. Another idea that was explored was the establishment of a National Asset Management Company (NAMC) to act as a nodal agency to deal with the issue of bad loans.

The proposal for an ARC had emerged at a meeting that Goyal held with bankers. The minister had then set up a panel headed by Punjab National Bank chairman Sunil Mehta to look into the issue. The panel has been tasked with assessing the creation of an ARC or an asset management company to house the bad loans of state-run lenders. The government will take a call on the matter after examining the report, said the official cited above.

With limited improvements in recoveries and upgrades, gross nonperforming assets (NPAs) surged to Rs 10.2 lakh crore (11.8% of total loans) on March 31 from Rs 7.65 lakh crore (9.5% of total loans) in the year earlier, according to a June 7 Moody's report. The report said the government's recapitalisation plan will still broadly resolve the regulatory capital needs of the country's 21 public sector banks (PSBs) and help augment their loan-loss buffers, but will be insufficient to support credit growth.

Weak financials due to mounting bad loans have already pushed 11 state-run banks out of 21 into the Reserve Bank of India's Prompt Corrective Action (PCA) framework, which restricts their business activities until their financials improve.

Business Line

5. LVB faces trouble over ₹723-cr loan to Singh brothers

PALAK SHAH

Loan against disputed fixed deposit may put pressure on its net worth.

A 2017 loan of more than ₹723 crore extended to Malvinder Mohan Singh and Shivinder Mohan Singh, the erstwhile promoters of Ranbaxy and Fortis Healthcare, by Lakshmi Vilas Bank (LVB), is likely to put pressure on the bank's minimum net-worth requirement of ₹500 crore, sources close to the regulator's office told *BusinessLine*.

As of March 2018, LVB had a net worth of over ₹2,327 crore, considering its reserves, surplus and share capital. On that date, it had 'net NPAs' of more than ₹1,457 crore. If an FD amount of ₹800 crore, which, according to the bank is standing against the loan to the Singhs, is negatively impacted by a dispute, LVB's net worth would come under pressure as per RBI norms, the sources said.

"The matter is sub-judice before the Delhi High Court. We would like to say the bank has acted in accordance with relevant provisions of law and banking norms in disbursing the loans and recovering the same," LVB said in response to a query by *BusinessLine*.

A source close to LVB said that since the loan granted to the Singh brothers was against liquid security, the RBI norms may not apply.

The background

Religare Finvest (RFL), a subsidiary of Religare Enterprises, had invested around ₹794 crore in fixed deposits (FDs) with LVB in November 2016 and January 2017. LVB, in 2017, informed RFL that it had disbursed loans to RHC Holdings Pvt. Ltd. and Ranchem Pvt Ltd., the investment firms of the Singh brothers, against this FD.

The loan disbursement to the Singh brothers was contested by RFL in a strongly worded legal notice, a copy of which is with *BusinessLine*, through its law firm,

"RFL was shocked to receive a statement of current account on July 31, 2017, provided only on RFL's request, the review of which showed that its FDs had purportedly liquidated prior to their schedule date of maturity and an aggregate amount of ₹768 crore being the proceeds of the FDs were credited in a current account where after a sum of ₹723 crore were unilaterally and illegally debited by the bank from RFL's current account without RFL's instruction, knowledge, consent or approval," the notice

addressed to Parthasarathi Mukherjee, Managing Director and CEO of LVB, on September 1, said.

Replying to RFL's letter on September 19, LVB's legal head Ravindra Kumar wrote to the company's law firm: "We inform you that your client has not disclosed the full facts of the case before causing the said notice issued to the bank and the same contains several inconsistent / contradictory / incomplete information. We are in the process of collecting all information relating to the matter and we shall be sending suitable reply within 10 days from the date of receipt of the mail. We also inform you to advise your clients not to further precipitate the matter In the meantime."

RFL has now approached the Delhi High Court against a move by LVB to appropriate its FD and adjust the same against the loan given by the bank to the Singh brothers. The source close to LVB further said that the FDs were disputed after the new management took charge at RFV in 2018 and prior to that the legal notice to the bank in September 2017 was withdrawn by RFL.

According to other sources, who spoke to *BusinessLine* on condition of anonymity, LVB's ongoing case with RFL and its lending to the Singh brothers was being closely followed by the RBI. Though the regulator has not taken any action yet, if LVB faces an adverse impact, the RBI will swing into action as the bank's net worth will be under severe pressure.

Reportedly, Religare Enterprises has said it had warned LVB against creating illegal encumbrance on the deposits. The bank Lakshmi Vilas Bank was "expressly informed" that Religare Finvest was "not party to any loans sanctioned or granted to any third party", it said. The subsidiary had given "no authorisation, sanction or approval" allowing "creation of any security or encumbrance of the fixed deposits for any third-party loans or borrowings."

Times of India

6. Officers protest 83% haircut on sale of Alok Inds to RIL-JM Fin

TNN

Bank officers are protesting the decision of lenders to accept the Rs 5,050-crore offer for Alok Industries from Reliance Industries-JM Financial combine under the insolvency process. The objection is that the offer price is only 17% of lenders' claims amounting to Rs 29,500 crore.

All India Bank Officers' Confederation (AIBOC) general secretary D T Franco said, "As per the move, lenders to Alok Industries will have to take a deep haircut of 83% in approving Reliance Industries-JM Financial ARC's resolution plan to take over the bankrupted textile company."

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**