



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

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Dear Comrades,

8th October , 2018

News of Interest 8th OCT

QUOTE OF THE DAY

‘WITH THE NEW DAY COMES NEW STRENGTH AND NEW THOUGHTS. ‘

ELEANOR ROOSEVELT

HIGHLIGHTS

- 1. IPOS, FPOS, ESOPS EXEMPTED FROM STT FOR AVAILING OF CONCESSIONAL 10% LTCG**
- 2. AMALGAMATION NOT ON CARDS, FOCUS ON INTERNAL CONSOLIDATION, SAYS PNB MD**
- 3. BANKRUPTCY CODE WILL DEEPEN INDIAN CORPORATE BOND MARKET: ASSOCHAM**
- 4. PROVISIONING FOR AGING NPAS IS A KEY WORRY: DENA BANK CEO**
- 5. DUAL CONTROL BY CENTRE, RBI A PROBLEM IN BANKING INDUSTRY: YV REDDY**

BUSINESS STANDARD

1. IPOs, FPOs, ESoPs exempted from STT for availing of concessional 10% LTCG

Also, the off-market transactions undertaken by non-residents in line with FDI guidelines, qualified institutional buyers, venture capitalist without payment of STT too could avail the 10% LTCG rate

Press Trust of India

In the 2018-19 budget, the government had after a gap of 14 years reintroduced Initial public offerings, bonus, rights issues and ESoPs will be eligible for concessional rate of 10 per cent long-term capital gains (LTCG) tax even if the Securities Transaction Tax has not been paid earlier.

Concessional 10 per cent on LTCG tax exceeding Rs 100,000 from sale of shares, subject to payment of Securities Transaction Tax (STT) at the time of acquiring the equities.

The finance ministry also decided to exempt certain transaction from payment of STT for availing the concessional 10 per cent LTCG rate.

The ministry has notified a list of carve-outs which will be exempt from the requirement of paying STT. These include IPO, follow-on public offer (FPO), bonus or rights issue by a listed company, acquisition approved by Court/NCLT/SEBI/RBI, acquisition pursuant to exercise of ESOPs.

Also, the off-market transactions undertaken by non-residents in line with FDI guidelines, qualified institutional buyers, venture capitalist without payment of STT too could avail the 10 per cent LTCG rate.

Prior to April 2018, the long-term capital gains tax was nil for shares sold after a year of purchase.

In case the STT has not been paid and the transactions are not in the exempt list, the usual LTCG tax rate of 20 per cent would apply of sale of shares. Short-term capital gains tax continues to be 30 per cent.

The CBDT followed a consultative and pro-active approach by seeking stakeholder's comments on the draft notification issued earlier in April 2018 and have duly considered most of the stakeholder comments while issuing the final notification.

Nangia Advisors LLP Managing Partner Rakesh Nangia said clarification was needed with respect to the taxability of the newly introduced long-term capital gains on equity shares, since unintended hardships may have been experienced in certain fact-specific cases.

"Alongside the list of acquisition of equity shares which are not eligible for concessional 10 per cent tax on LTCG, the notification also provides carve-outs to insulate genuine acquisitions of non-STT based acquisitions," Nangia said.

The notification also provides situation where concessional rate of LTCG shall be denied in respect of shares acquired during the intervening period i.e. the period of de-listing of company and the day prior to its re-listing.

"A peculiar case of transfer of shares during the intervening period when the shares are de-listed may still face hardship owing to the denial of concessional rate. Another area of concern is when acquisition is outside the stock exchange but on account of events such as liquidation, contribution of shares to the firm, etc," Nangia said.

2. Amalgamation not on cards, focus on internal consolidation, says PNB MD

'Right now we are focussed on internal consolidation and we are not aspiring for any inorganic expansion'

Press Trust of India

Ruling out the possibility of inorganic expansion, Punjab National Bank (PNB) Managing Director Sunil Mehta said the bank is currently focused on internal consolidation and making it financially healthy.

With Rs142 billion Nirav Modi episode getting out of scene, the bank is focussing on growth and recovery of bad loans, he told PTI. The bank has registered credit growth more than the industry average, and appreciating the pace of recovery, the government has decided to provide Rs 54.31 billion capital support.

"You are fully aware that financial services secretary has said that they are giving this capital (Rs54.31 billion) for growth. PNB is the second largest public sector bank and we are poised for the growth," he said.

Asked if the PNB is going to acquire some other public sector banks, Mehta said, "There is nothing on the cards from our side".

On whether some amalgamation proposal comes to the bank, he said, "It would depend on different circumstances. Right now we are focussed on internal consolidation and we are not aspiring for any inorganic expansion."

Last month, the government announced the merger of Bank of Baroda, Vijaya Bank and Dena Bank to create the country's second largest public sector bank by assets and branches. Following this, the respective boards of these banks accorded in-principle approval for amalgamation.

Post-merger, the asset size of the new entity would be over Rs14.5 trillion. The combined business of the amalgamated entities will make it the country's second-largest public sector bank. While announcing the merger, Financial Services Secretary Rajiv Kumar had said the merged entity will have better financial strength.

Dena Bank's net NPA ratio will be at 5.71 per cent, significantly better than public sector banks' average of 12.13 per cent, Kumar had said, adding that the provision coverage ratio would be at 67.5 per cent against the average 63.7 per cent. The cost to income ratio of the combined entity will come down to 48.94 per cent, compared with the average 53.92 per cent.

The amalgamation of the three banks will be through share swap, which will be a part of the scheme of merger.

Financial Express

3. Bankruptcy Code will deepen Indian corporate bond market: Assocham

The successful resolution of issues of banks' non-performing assets (NPAs) or bad loans through the Insolvency and Bankruptcy Code (IBC) will help deepen India's corporate bond market that is highly concentrated in AAA rated bonds, Assocham said

By: [IANS](#) | New Delhi

The successful resolution of issues of banks' non-performing assets (NPAs) or bad loans through the Insolvency and Bankruptcy Code (IBC) will help deepen India's corporate bond market that is highly concentrated in AAA rated bonds, Assocham said on Sunday.

Citing its study jointly conducted with rating agency Crisil, a statement by the industry chamber said: "As per Assocham-Crisil study, reduction in the timeline for the resolution of stressed assets under the IBC will not only enhance the confidence of investors but also make them go in for bonds less than AAA rating."

"India's corporate bond market, which contributes 17 per cent to the country's Gross Domestic Product (GDP), is highly concentrated in the AAA rated bonds, is expected to change once the IBC brings about successful resolution of stressed assets in a time-bound manner," it said.

Noting that currently about 90 per cent of trading is restricted to AAA and AA rated bonds, Assocham said that with greater certainty of outcome and expectations of a faster resolution because of the IBC, "the interest of both domestic and foreign investors in the lower-rated paper will increase over time."

According to the chamber, the contribution proportion of the corporate bond market to the GDP is 123 per cent in the US and 74 per cent in South Korea.

It said that countries like Brazil, Russia, China and the UK had taken steps to reform the bankruptcy laws which, along with other macroeconomic structural reforms, led to significant growth in the corporate bond markets within their financial markets.

According to the study, the Reserve Bank of India (RBI) has implemented norms for limiting individual and group exposures in banks, encouraging large corporate borrowers to access the bond markets for funding requirements.

"This, along with the Code, will provide a boost to the Indian bond market," it said.

On the role of asset reconstruction companies (ARCs), the study said that a structural shift is expected in the Indian stressed asset market that would lead to a reset of business models in the ARC industry.

"At present, despite a deceleration in growth, Asset Under Management (AUM) of ARCs is expected to reach Rs 1 lakh crore by June next year," Assocham said.

"So far, recoveries by ARCs have remained below expectations as resolutions were lengthy. Smaller assets (debt up to Rs 100 crore) typically have a shorter resolution time frame and better recovery rate compared with larger ones."

"The access of ARCs to capital sources is also critical, as their collective net worth is just about Rs 4,500 crore, according to Crisil estimates as on March 31, 2017," the chamber said.

"With the recent RBI proposal to increase net-owned funds to Rs 100 crore for ARCs, a faster resolution of the release of capital becomes more important."

Gross NPAs in the Indian banking system have accumulated to a staggering Rs 10 lakh crore.

Business Line

4. Provisioning for aging NPAs is a key worry: Dena Bank CEO

OUR BUREAU

Dena Bank has said accretion to its NPAs (non-performing assets) is over, but higher provisioning may happen due to the aging of NPAs, in the coming quarters.

"The period of incremental NPAs is over for Dena Bank as we have moved to system-identified process. Also, there has not been any fresh lending as we have been under the PCA (Prompt Corrective Action)," said Karnam Sekar, Managing Director and CEO of Dena Bank.

The bank doesn't see any accretion to its NPA in the next 2-3 quarters. "If that happens, our book will get strengthened," he said.

"Since there is no fresh addition to NPAs, provisioning on account of additional NPAs is not there. Of course, provisioning due to aging NPAs will be there. But if we reduce NPAs worth ₹3,000-4,000 crore that we hope will get resolved soon, that part will be available and it will be adequate to take care of the additional provisional requirements on account of ageing," he added.

A recent Crisil report pointed out provisioning cover for NPAs in the banking system is expected to touch 60 per cent (net of technical write-offs) by the end of fiscal 2019, compared with 50 per cent last fiscal. Public sector banks will bear the brunt of additional provisioning and most of them will report losses for the third straight year.

But aging of NPAs and high level of haircut on many of the NPAs referred to National Company Law Tribunal (NCLT) for resolution, specifically for NCLT 2 and subsequently referred accounts will result in higher provisioning.

Sekar said Dena bank will target profitability only during next fiscal with possible significant reduction in NPAs.

As on June 30, 2018, gross NPAs stood at 22.69 per cent and net NPAs at 11.04 per cent. During Q1FY19, it reported a loss of ₹721.71 crore on a total income of ₹2,410 crore.

5. Dual control by Centre, RBI a problem in banking industry: YV Reddy

PTI

Former Reserve Bank of India Governor YV Reddy Saturday said dual control by the Centre and the RBI is a problem in the banking industry.

Reddy, who was speaking at an event at the Indian School of Business (ISB) here, said the RBI says that it does not have enough regulatory powers. The government, however, says that the RBI has enough regulatory powers, he said.

"If the regulator and government could not agree and cannot agree, what is the truth? The truth is that there is a problem of dual control. Narasimhan committee recommended 20 years ago, please end this. Till today, it has not ended," he said.

Job creation

To a query on job creation, he said, quoting from a recent international conference, the likely scenario from a global situation is that "most probably either 20-30 per cent employed, rest of them cannot be employed because technology will replace".

There could also be a restriction (in the future) on the number of days one can work in a week.

"Our (in India) strategy should be maintain external sector balance and generate enough domestic demand and domestic supply... I believe that should be one thing which have to be clear. Not that we don't believe in globalization, global integration," he said.

Demographic transition is stretched in India which would be an advantage, he said.

On agriculture

On agriculture, he said the big problem is that agriculture cannot be commercialized unless it is "reasonably" immunized from risks.

The risks lay in "policy-induced risk" (uncertainty originating in policies) and uncertainty about availability of water in irrigation systems, quality of seed, quality of fertilizer's, MSP and export policy, he said.

During the event, he also felt that northern states, including UP, Bihar and Rajasthan, may witness major development in the future.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**