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Dear Comrades,

24th October, 2018

News of Interest 24th OCT

MOTIVATIONAL QUOTES

“THE FUTURE BELONGS TO THOSE WHO BELIEVE IN THE BEAUTY OF THEIR DREAMS.” —ELEANOR ROOSEVELT

HIGHLIGHTS

1. WHAT WAS RBI DOING, ASKS CAG RAJIV MEHRISHI ON NPA CRISIS IN BANKS
2. NOW, FINO PAYMENTS BANK CAN OPEN NEW ACCOUNTS AS RBI LIFTS BAN
3. BAD NEWS FOR CHANDA KOCHHAR: LAW FIRM PULLS BACK CLEAN CHIT, SAYS ICICI BANK
4. DENA BANK AIMS TO BRING DOWN GROSS NPAS TO 15% BY MARCH 2019
5. DAIICHI SANKYO ACCUSES FORTIS' SINGH BROTHERS OF SIPHONING ₹2,900 CR VIA DOWNSTREAM COMPANIES

Business Standard

1. What was RBI doing, asks CAG Rajiv Mehrishi on NPA crisis in banks

The major cause of current banking crisis is huge asset liability mismatch
[Press Trust of India](#)

Comptroller and Auditor General of India (CAG) Rajiv Mehrishi on Tuesday questioned the role the of Reserve Bank of India in the present banking crisis, asking what the regulator was doing when the banks were lending huge amounts that resulted in asset-liability mismatch and huge bad loans.

The banking sector had non-performing assets (NPAs) or bad loans worth over Rs 9.61 trillion by the end of 2017-18, according to government data.

"In the present banking crisis, we all have a narrative about how it can be sorted out, recapitalisation of course, which is a very strange word to be used for the subsidies, but nobody is asking the real question that what actually the regulator (Reserve Bank) was doing. What is its role, what is its responsibility?," he asked while speaking at the launch of Indian School of Public Policy (ISSP).

The major cause of current banking crisis is huge asset liability mismatch; but nobody is talking about this, there is a lack of public policy debate, Mehrishi said.

He said India lacks a flourished bond markets in absence of which the banks are forced to lend to long-gestation infrastructure projects. And when these projects run into any hurdle, their difficulties percolate into the difficulties of the banks, he said.

The CAG also pointed out that there is a lack of public policy debate or a narrative on the root causes of the banking crisis; and also, nobody is talking or writing about the role of the regulator.

Despite from banks' own mismanagement as well as theft of public money which are amongst the reasons behind the banking sector mess, there is much more to this which is complex to understand, he said further.

"If the banks were going berserk with their lending, then what was the regulator doing? And if it (regulator RBI) is accountable for this crisis or not, that is also a narrative nobody is talking about," he said.

Of the over Rs 9.61 trillion banking sector NPAs as on March 31, 2018, Rs 853 billion emanated from agriculture and allied activities while the bulk of Rs 70.3 million originated from loans to the industrial sector.

Speaking on economic reforms and the centre-state relationships in enacting changes, the chairman of the 14th Finance Commission and former Revenue Secretary N K Singh said the centre alone cannot bring about the economic overhauling.

"The economic reforms cannot merely be taken by the central government.

For example labour reforms and the land reforms, it has been left to the skills of state government what they want to enact and believe the changes needed for economic reforms," Singh said.

He also talked about the pedagogy built around the centre-state relationships and the unfinished agenda of India's important economic reforms and said mere tinkering will not do and deep structural reforms are needed.

He said India dearly needs the structural reforms and a lot of these relate to what the state governments can do in this direction.

The Indian School of Public Policy will begin its first batch of one-year full-time programme in public policy, design and management to professionals with 2-3 years of relevant experience from 2019.

The school intends to develop a new class of policy leaders for India by equipping policy professionals with knowledge, skills, wisdom and ethics to understand, design and implement local solutions to India's enduring policy and governance challenges, ISPP said.

2. Now, Fino Payments Bank can open new accounts as RBI lifts ban

Paytm Payments Bank and Airtel Payments Bank were also barred from onboarding new customers earlier

Nikhat Hetavkar

The Reserve Bank of India (RBI) lifted its ban on adding new customers for Fino Payments Bank. The ban had been placed by the RBI in May because of non-compliance of operational guidelines, particularly certain accounts having deposits in excess of the allowed amount.

RBI's operating guidelines for payments banks said the aggregate limit for customer in his/her bank account shall not exceed Rs 100,000.

"Now we have made the required changes to processes, product and technology, which the RBI has approved and given us the go ahead to open new accounts," said a Fino Payments bank spokesperson.

Fino was not the only payments bank to come under the RBI's radar. Paytm Payments Bank and Airtel Payments Bank were also barred from onboarding new customers earlier. The two were accused of misusing the customer base of their wallet and telecom parents respectively in order to create payment bank accounts.

Business Standard had earlier reported that Paytm Payments Bank is still not allowed to add new customers.

There is uncertainty over when this restriction would be lifted, Paytm founder and Chief Executive Officer Vijay Shekhar Sharma had said. The ban was placed by the RBI in July.

Earlier that July, the RBI had lifted the ban on Airtel Payments Bank to onboard new customers. The payment bank had been banned due to allegedly violating Know-Your-consumer norms including opening accounts without specific or clear consent from the customers in December 2017.

Currently there are five payment banks operating in the country - Paytm, Airtel, Fino and Aditya Birla-Idea Payments Bank and India Post Payments Bank.

Financial Express

3. Bad news for Chanda Kochhar: Law firm pulls back clean chit, says ICICI Bank

ICICI Bank on Tuesday said a leading law firm has taken down a 2016 report exonerating the bank's former head Chanda Kochhar from charges of nepotism and conflict of interest with regard to loans given to the Videocon Group

By: [FE Bureau](#) |

ICICI Bank on Tuesday said a leading law firm has taken down a 2016 report exonerating the bank's former head Chanda Kochhar from charges of nepotism and conflict of interest with regard to loans given to the Videocon Group. The law firm in question is understood to be Cyril Amarchand Mangaldas.

In a notification to the stock exchanges, ICICI Bank said the then chairman of the board of directors of the bank had engaged a law firm for conducting an inquiry into the allegations made against Kochhar in a 2016 media report. All concerned parties cooperated with the inquiry and furnished necessary records, documents and statements. The law firm submitted its report in December 2016 stating that it had found no evidence of nepotism and conflict of interest on the part of Kochhar and the matter was treated as closed.

As similar reports accusing Kochhar of malfeasance surfaced in March 2018, the bank's board issued a statement expressing confidence in her.

"Subsequent to additional whistle-blower allegations and further information made available to the Bank, the Board of Directors determined the need for a fresh inquiry, which was announced on May 30, 2018. Further, the Bank informed the law firm about the said developments, whereupon the law firm expressed that its earlier report would no longer be valid," ICICI Bank said on Tuesday.

Kochhar stepped down as managing director (MD) and chief executive officer (CEO) of ICICI Bank earlier this month.

Former Supreme Court judge B Srikrishna has been appointed to conduct an investigation into the charges against Kochhar with respect to the loan given to the Venugopal Dhoot-owned Videocon Group.

In 2012, ICICI Bank had extended a loan of `3,250 crore to the Videocon Group. After the loan was granted, NuPower Renewables, which is run by Kochhar's husband Deepak Kochhar, received `64 crore from Videocon's promoter through a series of investment vehicles, allegedly as quid pro quo.

Economic times

4. Dena Bank aims to bring down gross NPAs to 15% by March 2019 PTI|

Dena Bank Tuesday said it expects to bring down gross non-performing assets (NPAs) to 15 per cent by March 2019, from existing 22-23 per cent, which will help it reduce losses.

Its managing director and chief executive officer Karnam Sekar told reporters here that the resolution of NPAs of several corporate customers are in advanced stages at the National Company Law Tribunal (NCLT), or towards asset restructuring and one-time settlement.

"We hope that we will settle most of the cases by March 2019. Huge accounts are in advanced stages of resolution. By March 2019, our gross NPAs, which is currently between 22 per cent and 23 per cent, will surely come down. Practically, it will come down to 15 per cent (from Rs 16,000 crore to Rs 10,000 crore)," said Sekar, who joined the bank last month as its MD and CEO.

He said that the bank has not added any NPAs in the last two quarters, and in September quarter, it reduced slightly.

"We have been loss making in the last three years, and we need to come out of that. Huge NPAs are reasons for the loss. Fortunately, most corporate customer cases are either in the advanced stages in NCLT, ARC, or bilateral OTS," Sekar told media persons.

He also added that Dena Bank is working to improve its CASA (current accounts and savings accounts) ratio, which will positively affect its profitability.

"We have 40-41 per cent CASA ratio. With more focus, we are trying to take it to at least 44-45 per cent. So, both NPA reduction and CASA improvement will improve the profitability of the bank," he said, while hoping to "turn the corner" by 2019-20.

Last month, the government had announced the merger of state-owned Bank of Baroda (BoB), Vijaya Bank and Dena Bank, to create the country's second largest lender, after the State Bank of India.

Sekar said Dena Bank is also working towards amalgamation with BoB and Vijaya Bank, for which a steering committee of the three entities is holding meetings every week.

"We have formed a steering committee which is meeting every week to decide on which areas to concentrate, which to harmonise, and timelines for various steps," he said.

Sekar further said that timelines for merger will be decided in the next two-three meetings.

Business Line

5. Daiichi Sankyo accuses Fortis' Singh brothers of siphoning ₹2,900 cr via downstream companies

MAITRI PORECHA

Japanese drug-maker Daiichi Sankyo told the Delhi High Court on Tuesday erstwhile Fortis Healthcare promoters Malvinder and Shivinder Singh, through a web of downstream companies, had diverted close to ₹2,900 crore. Daiichi has filed three new applications in the high court, stating the monies were parked in 25 companies and this was not declared by the brothers in their affidavits.

The brothers owe Daiichi ₹3,500 crore to settle an arbitration award announced in a Singapore tribunal. The Delhi High Court has to oversee the execution.

Daiichi alleged that the Singhs, through companies controlled by them, gave loans to 25 downstream companies — that were close to 100 times more than the companies' worth — from 2012 till date.

For example, Shimal Healthcare Pvt Ltd, of which the Singhs are directors, allegedly lent ₹420 crore to eight companies — Best Healthcare, Devera Developers, Fern Healthcare, Modland Wears and Lowe Infra and Wellness through debentures, and to Green Grass Estates, White Feather Estates and Bindas Realtors through equity. Of these, four companies — Modland, Bindas, Green Grass and White Feather — have parked the money in land. While Green Grass has bought 35 acres of land, White Feather has 31 acres of land in Thane district of Maharashtra and Bindas has 2.24 acres in Saket area of New Delhi.

In another application, Daiichi alleged that the Singh brothers — through RHC Holdings, the holding company for ANR Securities, Ranchem and Bhai Trust (of which Malvinder is a trustee) — have parked close to ₹1,450 crore in Prius Real Estate, owned by Gurpreet Singh Sodhi and Ranveer Singh. Prius holds another 10 downstream companies.

Up to an additional ₹1,000 crore has been lent by the brothers and their holding companies to other entities that form a part of Shimal Healthcare and Prius Real Estate.

Daiichi has asked the court freeze such transactions by the downstream companies in which the brothers may have parked their monies.

"All these companies have no purpose but fraud. On what basis has Shimal Healthcare given ₹80 crore, for example, to Best Healthcare? What is the asset base of Best Healthcare? The downstream companies have thin capital and huge loans through debentures and preferences; the money has gone away," argued Arvind P Datar, Daiichi's counsel.

Daiichi urged the high court to apply the doctrine of following and tracing to reach to the root of the Singh brothers' asset base and investments. "A director cannot put in his pockets something at the expense of the company," Datar further argued.

Akhil Sibal, Malvinder's legal counsel, argued that the former Fortis promoter cannot give assurances on behalf of 25 companies that are not currently a party to the lawsuit and that Daiichi cannot make downstream companies responsible for a decree passed against him. "They (Daiichi) have done their homework well," quipped Sibal.

"Unfortunately you are on a weaker ground," the judge retorted.

The court will serve notice to the 25 companies to file a reply to Daiichi's application and will hear the matter next on November 13.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY

