



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

15th September , 2018

News of Interest 15th SEP

QUOTE OF THE DAY

'FAILURE WILL NEVER OVERTAKE ME IF MY DETERMINATION TO SUCCEED IS STRONG ENOUGH.'

OG MANDINO

HIGHLIGHTS

1. WITH NPAS WORTH RS 500 BN, BANKS NEED 40-60% HAIRCUT TO GET RP4 RATING
2. RBI TO PURCHASE G-SECS WORTH RS 100 BN NEXT WEEK TO INDUCE LIQUIDITY
3. LEHMAN BROTHERS COLLAPSE: LESSONS FOR INDIA ON RISING NPA PROBLEM
4. SBI DENIES ANY LAXITY ON ITS PART IN DEALING WITH FUGITIVE VIJAY MALLYA CASE
5. SYNDICATE BANK TO RAISE UP TO ₹ 250 CR VIA EMPLOYEE STOCK PURCHASE SCHEME

Business Standard

1. With NPAs worth Rs 500 bn, banks need 40-60% haircut to get RP4 rating

According to the RBI's February 12 circular, all resolution plans with a rating of RP4 are considered to have a moderate degree of safety regarding timely servicing of financial obligations

Press Trust of India

With bad loans worth over Rs 500 billion under RBI's independent credit evaluation (ICE) framework, a report on Wednesday said that banks need to take a haircut of 40-60 per cent to have a rating of RP4 for implementation of any resolution plan.

According to the Reserve Bank of India's February 12 circular, all resolution plans with an opinion or rating of RP4 are considered to have a moderate degree of safety regarding timely servicing of financial obligations.

RBI in its revised framework had said all resolution plans involving restructuring or change in ownership for large accounts where the aggregate exposure of lenders is Rs 1 billion and above would require ICE of the residual debt by credit rating agencies (CRAs).

All stressed accounts with an exposure of Rs 5 billion and above will require two such ICEs, while others will need one ICE.

Only such resolution plans which receive a credit opinion of RP4 or better for the residual debt from one or two CRAs shall be considered for implementation, RBI had said.

"With stressed debt of over Rs 500 billion under ICE framework, banks have to take a haircut in the range of 40-60 per cent to achieve a rating of RP4," according to a joint report by industry body Assocham and rating agency CRISIL.

It said the average sustainable debt for these assets is around 50 per cent.

The National Company Law Tribunal (NCLT) had approved resolution plan for 32 stressed assets under the corporate insolvency resolution process (CIRP) as on June 30, with resolutions to the tune of Rs 500 billion against total claims of Rs 894 billion admitted by financial and operational creditors.

The average resolution timeline for these 32 accounts was 260 days vis-a-vis the stipulated 270 days, the report said.

It said an improvement in the recovery rate and reduction in the timeline for resolution will increase investor confidence in the domestic corporate bond market.

The report further said that the IBC is expected to promote a market for unsecured financing.

"That is because the distribution waterfall of recoveries following liquidation gives unsecured financial creditors (apart from all secured creditors) precedence over government dues," it said.

According to the report, some of the challenges in an effective implementation of IBC are infrastructure issues, adherence to resolution timelines, liquidation impact, criticality of the role of the committee of creditors (CoC), and limited development of the secondary market.

"These would need to be addressed systematically and soon for successful implementation of the IBC over the medium term and achieve the intended outcomes," it added.

2. RBI to purchase G-secs worth Rs 100 bn next week to induce liquidity

The RBI proposes to purchase G-secs having five different maturity dates

Press Trust of India

The Reserve Bank on Friday announced it will purchase government securities (G-secs) worth Rs 100 billion on September 19, a move aimed at inducing liquidity in the system.

The purchase of the government securities will be done through Open Market Operations (OMO).

"Based on an assessment of prevailing liquidity conditions and also of the durable liquidity needs going forward, the Reserve Bank has decided to conduct purchase of Government securities under Open Market Operations for an aggregate amount of Rs 100 billion on September 19, 2018 (Wednesday) through multi-security auction using the multiple price method," it said in a statement.

The RBI proposes to purchase G-secs having five different maturity dates.

It further said there is an overall aggregate ceiling of Rs 100 billion for all the securities in the basket put together.

"There is no security-wise notified amount," the central bank said.

The eligible participants have been asked to submit their offers in electronic format on the RBI's Core Banking Solution (E-Kuber) system on September 19.

The result of the auction will be announced on the same day and payment to successful participants will be on Friday.

Financial Express

3. Lehman Brothers collapse: Lessons for India on rising NPA problem

It's going to be ten years since Lehman Brothers collapse hit the US on September 15, 2008, triggering a financial crisis all across the world

By: FE Online

It's going to be ten years since Lehman Brothers collapse hit the US on September 15, 2008, triggering a financial crisis all across the world. Even though India's GDP growth posted record numbers in April-June quarter, the macros are exerting pressure. The rupee is in a free-fall, and crude oil prices are surging. India's current account deficit (CAD) has widened to 2.4 percent of GDP in the quarter ending June 2018. But, what's most disturbing for the economy is the problem of ballooning non-performing assets (NPAs).

The Indian banking system has been stressed under the load of bad loans, with 26 banks together both private and public posting gross NPAs of more than Rs 7.31 lakh crore, translating into a surge of nearly 50 percent from the corresponding period last year.

Former RBI governor Raghuram Rajan in his recent note to the Parliament Estimates Committee had said that in 2006-08, period around Lehman crisis, when country's growth rate was strong, a large number of bad loans came into existence. "A larger

number of bad loans were originated in the period 2006-2008 when economic growth was strong, and previous infrastructure projects such as power plants had been completed on time and within budget," he said, adding, "It is at such times that banks make mistakes."

The bankers got 'over-optimistic' in this period and forgot to do due diligence which laid the foundation of the upcoming crisis, he had said. This is true for both Lehman bankruptcy and the US financial crisis, and the rising NPA mess in the country.

Big lending

The credit boom resulted in India in 2004-05 to 2007-08 due to low interest rates. The lending by the financial institutions to industry climbed 30-35 percent year-on-year during this period, making this boom the biggest in 25 years in India.

"Unfortunately, growth does not always take place as expected. The years of strong global growth before the global financial crisis were followed by a slowdown, which extended even to India, showing how much more integrated we had become with the world. Strong demand projections for various projects were shown to be increasingly unrealistic as domestic demand slowed down," Raghuram Rajan wrote in the note to the committee.

Economic Times

4. SBI denies any laxity on its part in dealing with fugitive Vijay Mallya case

PTI |

India's biggest lender SBINSE 1.88 % said Friday there was no laxity on its part in dealing with loan default by now defunct Kingfisher Airlines of fugitive liquor baron Vijay Mallya.

The comments by State Bank of India (SBI) came after reports suggested that the bank, which was the lead lender to Kingfisher Airlines, was in February 2016 advised to move the Supreme Court to stop Mallya from fleeing the nation but the lenders moved the apex court only after the tycoon had left the country four days later.

Mallya left the country on March 2, 2016 while 13 banks moved the apex court four days later seeking its intervention to prevent the businessman from leaving the country.

"State Bank of India (SBI) denies that there has been any laxity on its part or its officials in dealing with loan default cases, including Kingfisher Airlines. Bank has been taking proactive and strong measures to recover the defaulted amounts the lead bank said in a statement.

Mallya has been facing legal proceedings for defaulting on loans of more than Rs 9,000 crore from a consortium of 17 banks.

However, Mallya, in an open letter, had defended himself and said the SBI and other banks had lent him money despite knowing about his company's financial situation. He claimed he was being made the "poster boy" for bank defaults, though the banks were also culpable.

The Supreme Court had raised some unsavory questions to the banks that approached. It wondered why loans were given to Mallya when he was already a defaulter and was facing proceedings in the court of law.

It is to be noted that he had already announced his intention to shift to the UK in a statement issued after his deal with Diageo to step down from the chairmanship of United Spirits, a company he sold to the UK major three years back. He was to get Rs 515 crore or USD 75 million from Diageo as severance package.

SBI had in the first week of March 2016 moved the Debt Recovery Tribunal in Bangalore claiming the first right on the payment by Diageo to Mallya and seeking to impound passport. However, the DRT reserved its order and set the next hearing for March 28, 2016, a good 21 days later.

Business Line

5. Syndicate Bank to raise up to ₹ 250 cr via employee stock purchase scheme

PTI

State-owned Syndicate Bank has said its board approved a proposal to raise up to ₹250 crore by issuing shares to its employees under the employee stock purchase scheme.

The board of directors of the bank in a meeting held on Wednesday approved the proposal to raise capital up to ₹250 crore by way of issue of equity shares under employee stock purchase scheme (ESPS), the bank said in a regulatory filing.

The money would be raised in one or more tranches.

Syndicate Bank will convene an extraordinary general meeting on October 29 to seek approval from shareholders on issuing shares to employees under the ESPS.

The 'Compensation Committee of the Board' will decide all the modalities of ESPS scheme, the bank said.

Another state-run lender Bank of India said Thursday a meeting of the Compensation cum Allotment Committee (CAC) of the bank is scheduled to be held on September 18, 2018 to allot shares to employees.

Bank of India plans to offer 10 crore shares under the ESPS.

The committee will consider, finalize and approve a scheme namely "Bank of India-Employee Stock Purchase Scheme, 2018 (BOI ESPS)" for issue of up to 10 crore new equity shares of the bank to eligible employees, Bank of India said.

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.

Allahabad Bank has raised nearly ₹ 236 crore in its maiden ESPS scheme.

United Bank completed the issue of around 5 crore fresh equity shares to employees under the scheme on August 31, 2018.

PNB will offer 10 crore shares under the scheme and the Nomination and Remuneration Committee of the bank is tasked to decide on the matter.

Canara Bank will issue up to 6 crore equity shares to its staff to raise up to ₹1,000 crore under employee stock purchase scheme.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**