



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)
163/4, Kutchery Road, Mylapore, Chennai - 600004
E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
---	--	--	--

Dear Comrades,

20th September, 2018

News of Interest 20th SEP

MOTIVATIONAL QUOTES

THE GROWTH AND DEVELOPMENT OF PEOPLE IS THE HIGHEST CALLING OF LEADERSHIP.
HARVEY S. 'FIRESTONE'

HIGHLIGHTS

1. DECODING GOVT'S MOVE TO AMALGAMATE BANK OF BARODA, DENA BANK, VIJAYA BANK
2. MODI CABINET APPOINTS 10 MDS & CEOS AT STATE-OWNED BANKS - 5 OF THEM AT SBI
3. COMPANIES ACT VS IBC: GOVT MUST RESOLVE CONFLICT BETWEEN TWO LAWS: BANKERS
4. RBI TRIMS RANA KAPOOR'S TERM AS YES BANK CEO
5. FINMIN MAY ASK IBA TO SPEED UP WAGE DEAL

Business Standard

1. Decoding govt's move to amalgamate Bank of Baroda, Dena Bank, Vijaya Bank

The recent announcement by the government to go in for an amalgamation of three public sector banks raises several legal/regulatory issues. Sudipto Dey explains the key implications

[Sudipto Dey](#)

What are the key differences between a merger and an amalgamation?

Often, the terms 'merger' and 'amalgamation' are used interchangeably.

However, experts point out that a merger refers to a corporate restructuring activity of two or more companies into a single company, whereby the identity of some of the companies gets dissolved. Amalgamation, on the other hand, is a wider concept than 'merger', they add.

Under the Companies Act, 2013, there are two kinds of mergers — 'merger by absorption' and 'merger by formation of a new company', points out company secretary Gaurav Pingle. In the case of 'merger by absorption', the undertaking, property and liabilities of one or more companies, including the company in respect of which the compromise or arrangement is proposed, are to be transferred to another existing company.

In the case of 'merger by formation of a new company', the undertaking, property and liabilities of two or more companies, including the company in respect of which the compromise or arrangement is proposed, are to be transferred to a new company.

Under accounting standards, in amalgamations which are in the nature of 'merger', there is a pooling not merely of the assets and liabilities of the amalgamating companies but also of the shareholders' interests and of the businesses of the companies, points out Pingle.

In amalgamations in the nature of 'purchase', one company acquires another company and, as a consequence, the shareholders of the company that is acquired normally do not continue to have a proportionate share in the equity of the combined company, or the business of the company which is acquired is not intended to be continued.

What were the reasons for the government going for an amalgamation in this case, and not a merger?

According to Ashvin Parekh, managing partner, Ashvin Parekh Advisory Services, the term amalgamation signifies placing two or more companies of same size or stature together. "Merger in some form would connote an acquirer and one or more entities being acquired. In this case, the term amalgamation has been carefully used to ensure that there isn't feeling of difference when integration is carried out," he says.

Most experts feel that as there is a pooling of assets, liabilities, shareholders' interest and the business of the banks, 'amalgamation' may be preferred over 'merger'.

From the perspective of the banks involved, who stands to gain, who loses?

All of them could stand to lose if the desired synergies are not achieved, say experts. "The answer also lies in the swap ratios. It would be very unfair to the amalgamating banks if the valuations are done without a thorough due diligence," says Parekh.

Announcing an amalgamation is the first step. "The development of a scheme of amalgamation with proper objectives and business plans, of the nature of a red herring statement is essential to evaluate whether the effort rendered the visualised outcome," adds Parekh. More importantly, the stakeholders who are responsible for the outcomes should be adequately incentivised or punished based on the results, say experts.

The government's pitch has been that the combined entity will benefit from the amalgamation. Gross NPAs for the combined entity have started declining and the cost-to-income ratio of the combined entity is better than the PSBs' average. The capital adequacy ratio is significantly above the regulatory norm.

For the combined entity, the larger distribution network will help reduce operating and distribution costs.

Where does it leave the minority shareholder?

Hypothetically, they benefit or lose, based on the swap ratios and thereafter in the performance of the merged entity, says Parekh.

"Minority shareholders of the larger and better performing bank will of course lose while those of the poorer performing bank will gain," says Avimukt Dar, partner, Indus Law. Dar is of the view that such decisions encourage speculative investment in banks that are not doing well on the basis that there will be a rescue package eventually.

2. Modi Cabinet appoints 10 MDs & CEOs at state-owned banks - 5 of them at SBI

The move to appoint five deputy managing directors from SBI is being seen as the government's effort to tap into the talent from the country's largest lender to help other banks

Press Trust of India

Mrutyunjay Mahapatra and Padmaja Chundru are among five deputy managing directors in State Bank of India who have been appointed as managing director and chief executive officer of Syndicate Bank and Indian Bank respectively, according to an official order issued on Wednesday.

They are among 10 MDs and CEOs of state-owned banks whose appointments were approved by the Appointments Committee of the Cabinet headed by Prime Minister Narendra Modi.

Mahapatra and Chundru will have tenure till the date of their superannuation, i.e. May 31, 2020 and August 31, 2021, respectively, the order issued by the Personnel Ministry said.

Three other Dy MDs of SBI -- Pallav Mohapatra, J Packirisamy and Karnam Shekhar -- have also been appointed as MD and CEO of Central Bank of India, Andhra Bank and Dena Bank, respectively.

They all will have tenure till the date of their superannuation.

Mohapatra and Packirisamy's tenure will last till February 28, 2021. Shekhar will be the MD and CEO of Dena Bank till June 30, 2020.

The move to appoint five deputy managing directors from SBI is being seen as the government's effort to tap into the talent from the country's largest lender to help other banks grappling with high non-performing assets, officials said.

Besides these five bankers, S S Mallikarjuna Rao has been appointed MD and CEO of Allahabad Bank initially for a period of three years. Rao's tenure will be extendable up to the date of his superannuation, i.e. January 31, 2022, the order said.

He is the Executive Director of Syndicate Bank.

A S Rajeev, Executive Director of Indian Bank, has been named MD and CEO of Bank of Maharashtra for an initial period of three years and extendable up to two years after "review of his performance", it said.

Atul Kumar Goel and S Harisankar have been appointed MD and CEO in UCO Bank and Punjab & Sind Bank respectively. Goel is ED, Union Bank of India, and Harisankar is the Executive Director of Allahabad Bank.

Ashok Kumar Pradhan will be MD and CEO of United Bank of India. He is at present the ED of the same bank.

Their appointments come more than two months after they were recommended by the Banks Board Bureau, an advisory body formed by the government for top level appointments in the banks.

The BBB had recommended 14 bankers, including six deputy managing directors of SBI for appointment. Of the six, all except C V Nageswar have been appointed as MD and CEO of different state-owned banks, according to a statement issued by it on June 30.

Financial Express

3. Companies Act vs IBC: Govt must resolve conflict between two laws: Bankers

Suggest amendment to the Companies Act that allows defaulting promoters to take over their assets

By: Shritama Bose

Bankers have asked the government to resolve the conflict between Sections 230-232 of the Companies Act that indirectly allow defaulting promoters to take over their assets after they have gone into liquidation and Section 29 (A) of the Insolvency and Bankruptcy Code, which bars such promoters from bidding for assets undergoing corporate insolvency resolution process (CIRP).

Executives from two public sector banks (PSBs) told FE that while there has been no written communication sent to the government, lenders have suggested an amendment to the Companies Act to harmonise it with the IBC at various forums.

Sections 230-232 of the Companies Act deal with the nature of compromises or arrangements that may be reached between a company and its creditors. Bankers first became aware of the potency of these clauses when Arun Kumar Jagatramka, the promoter of Gujarat NRE Coke, offered to present a resolution plan to the company's creditors in April this year — three months after liquidation of the company had been ordered.

An executive with a large PSB said his bank had a clear policy of keeping defaulting promoters out of assets under insolvency. "We realised only in the Gujarat NRE case that defaulters have another way of getting their companies back, even after the amendment to the IBC. Since we are internally very clear that no asset should return to a defaulting borrower, we have communicated this point about the Companies Act to the government," he said.

Another banker with a mid-sized PSB said while they were primarily concerned with the recovery of dues from the insolvency process, it makes sense to resolve the conflict between the two pieces of legislation.

"To be honest, we are concerned with getting our money back, irrespective of who gets the asset. But, since IBC has already been amended to keep defaulters out, why not fix this anomaly? This has been conveyed to the government through various channels over the last few months," the banker observed.

Karan Kalra, head of financial services at Nishith Desai Associates, said while there is a view that a conflict exists between the two laws, there are two ways of looking at it. "A very simple legal interpretation is that if there is one section does not debar you from doing something — for example, Section 230 — and there is a separate section that debars you, then you take the more negative one," he said, adding, "so it's not a legal battle per se. It's more of a matter of people questioning whether Section 29(A) was an afterthought."

Economic times

4. RBI trims Rana Kapoor's term as Yes Bank CEO

ET Bureau

Yes Bank may have a new chief executive by early next year as incumbent Rana Kapoor, credited with establishing the credentials of the private lender, is likely to step down after the Reserve Bank of India (RBI) limited his term until end-January.

"RBI has intimated that Shri Rana Kapoor may continue as the MD & CEO till 31 January 2019," Yes Bank said in a stock exchange notification late Wednesday. The bank's board is scheduled to meet on September 25 (Tuesday) to decide the future course of action, the bank said.

This is perhaps the first time when a bank, perceived to be promoter driven, will lose its original promoter having control over operations.

The move could prompt investors to pare down holdings amid leadership uncertainty at the bank, and the stock could slide on Friday. Indian markets have a trading holiday Thursday. "Rana Kapoor is considered a one-man army in Yes Bank.

His absence from an active role would cast doubts on the bank's future performance," an analyst tracking the stock said, declining to be named. Earlier on August 31, Yes Bank said that it had received RBI's approval for continuance of Kapoor as MD and CEO until further notice from the central bank.

Prior to that in June, Yes Bank's shareholders had approved Kapoor's re-appointment for three years, subject to final approval from the central bank.

In 2004, Rana Kapoor and Ashok Kapur founded the bank, which had a stellar stock-market debut. Yes Bank shares have surged 25.5 times in about 13 years generating 28% CAGR returns, show data from Bloomberg. From Rs 12.5 in June 2005, its shares have climbed to Rs 318.50 apiece.

During the same period, BSE Bankex expanded 630%, falling short of the bank's performance by a wide margin. The bank is one of the constituents of BSE Bankex, the broader industry index.

The latest move may also affect other new-generation private lenders, which may face difficulties in retaining their original promoters with controlling stakes.

The RBI has asked Uday Kotak, managing director of Kotak Mahindra Bank, to reduce his stake to 20% before the year-end from 30% now. Although Kotak had sought to lower his stake to 20%, as stipulated, by selling nonconvertible perpetual noncumulative preference shares to a group of investors in August, the RBI rejected that plan citing the nature of the instrument.

About three years ago, the bank witnessed a bitter board-room battle after late Ashok Kapur's widow and daughter claimed board representations. Kapur was killed in a terror attack in Mumbai.

Business Line

5. FinMin may ask IBA to speed up wage deal

K RAM KUMAR

Bank merger may necessitate voluntary retirement.

With the general elections only seven-eight months away and the proposed three-way merger between Bank of Baroda, Vijaya Bank and Dena Bank – which may necessitate an offer of golden handshake for employees – the Finance Ministry is likely to ask the Indian Banks' Association's wage negotiation committee to hasten the 11th industry-wide wage settlement.

After the 10th industry-wide wage settlement had run its course, ending on October 31, 2017, there have been close to 10 rounds of negotiations between the bank unions and management, but not much headway could be made as there was a yawning gap between the salary hike demand and what was on offer.

Bankers are of the view that wage-settlement negotiations may have to be wrapped up before the Model Code of Conduct for the general elections kicks-in.

Branch rationalisation

Further, negotiations may gather steam as the merger between the three public sector banks could see massive branch rationalisation in Gujarat, which has been a favourite hunting ground for both Bank of Baroda and Dena Bank to grow business, resulting in surplus manpower. So, to make any voluntary retirement scheme attractive, it will need to be based on revised salaries.

In Gujarat, Bank of Baroda (BoB) has 1,000-odd branches, while Dena Bank has 650-odd branches. BoB and Dena Bank have about 18 per cent and 35 per cent of their total branch network in the Western State.

"Initially, we were offered 2 per cent hike in salary. In August, the management side made an offer of 6 per cent. The hike in the 10th bipartite wage settlement was 15 per cent. "So, the salary revision needs to be higher than what it was in the last settlement. In the backdrop of the State and general elections, we expect the negotiations to be concluded before December 31, 2018," said S Nagarajan, General Secretary, All India Bank Officers' Association.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY