



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

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Dear Comrades,

24th April , 2019

News of Interest 24th APR

QUOTE OF THE DAY

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

OG MANDINO

HIGHLIGHTS

1. MFIS, SMALL BANKS WILL NEED EXTERNAL CAPITAL OF RS 4,700 CR IN THREE YEARS
2. SC BARS BANKS FROM DECLARING DELHI AIRPORT METRO EXPRESS DEBTS AS NPAS
3. RBI MAY OFFER MORE TIME FOR BANK-LED RESOLUTION OF NPAS
4. MUDRA LOANS MISS TARGET BY RS.27,000 CRORE IN FY19
5. A RISE IN DEMAND FOR INSOLVENCY COURSES

Business Standard

1. MFIs, small banks will need external capital of Rs 4,700 cr in three years

Rating agency ICRA in its outlook for the microfinance sector said that more than 90 per cent of the capital raised in FY2019 was by the MFIs with AUMs of greater than Rs 1,000 crore

Abhijit Lele

Small finance banks and finance companies working as micro finance institutions will need external capital of up to Rs 4,700 crore over the next three years to support over 25-30 per cent growth in loan books, according to ICRA.

Investors continued to support the industry with equity infusion of around Rs 4,350 crore in FY2019. The players had raised Rs 4,100 crore in FY2018.

Rating agency ICRA in its outlook for the microfinance sector said that more than 90 per cent of the capital raised in FY2019 was by the MFIs with AUMs of greater than Rs 1,000 crore. This implies that larger entities have been able to attract capital while the smaller less-diversified entities continue to struggle on this front.

Referring to the growth trend, it said that the domestic microfinance sector had registered a robust 28 per cent growth during the 12 months ended December 2018 as against 26% in FY2018.

Financial Year	Amount in crore
2015-16	Rs 871 cr
2016-17	Rs 6,633 cr
2017-18	Rs 4,098 cr
2018-19	Rs 4,350 cr

The sector has emerged unscathed even as the liquidity squeeze post September 2018 severely curtailed growth for the non-banking finance companies in India. Consequently, the overall micro loan market size (including Self Help Group Bank linkage programme) was Rs 2.37 trillion as on December 31, 2018.

The overall pace of growth was good, in nine months of FY2019. However, a reversal was observed in the trend with rise in ticket size outpacing the growth in client base, said Supreeta Nijjar, Vice President and Sector Head, Financial Sector Ratings, ICRA.

Micro finance institutions continue to expand their reach and add new clients, in the post-demonetisation period. But, there is greater focus on client retention (by offering higher ticket sizes) and eliminating delinquent clients. This has slowed down the pace of client growth for the sector. Further, since an individual may be the client of more than one MFI, the actual addition of new-to-credit clients could be even lower, ICRA added.

Financial Express

2. SC bars banks from declaring Delhi Airport Metro Express debts as NPAs

By: [Indu Bhan](#)

DMRC has been running the Airport Express line since 2013 after DAMEPL pulled out from running the Airport Express Metro line over safety issues.

The Supreme Court on Monday restrained banks from declaring the debts of Reliance Infrastructure's subsidiary Delhi Airport Metro Express (DAMEPL) as non-performing assets until further orders.

A bench headed by Justice SA Bobde said the loan, in principle, should be serviced by whoever is running the project as of now. Since April 10 last year, Delhi Metro Rail Corporation (DMRC) has been servicing the Reliance firm's debt taken from a consortium of lenders for execution of the project.

The court will now hear the case in July.

DMRC has been running the Airport Express line since 2013 after DAMEPL pulled out from running the Airport Express Metro line over safety issues. The Airport Express line was commissioned on February 23, 2011.

The relief came on an application by DAMEPL seeking a direction to Delhi Metro Rail Corporation (DMRC) to pay/service its dues to its consortium of lenders led by Axis Bank. DAMEPL, which had stopped servicing debt after the single judge of the Delhi HC had ruled in its favour, said the total outstanding as on January 1, 2019, is Rs.1,524.96 crore, which includes external commercial borrowing of \$44.28 (Rs.316 crore). The company had invested Rs.2,802 crore in the project.

According to the application, DAMEPL and its promoter company are in financial stress and the latter's loan accounts with several banks are on the verge of being declared NPAs. DMRC argued that it was running the Airport Express line only because Reliance Infrastructure's arm "abandoned" the project midway.

Earlier, the SC had sought response from DMRC on an appeal filed by DAMEPL against the Delhi High Court's division bench's order that set aside an arbitration award of around Rs.4,500 crore, including interest, in favour of the company. The division bench had on January 15 reversed the single judge's decision. The single-judge Bench on March 6 last year had upheld the arbitration award and directed DMRC to pay the money to DAMEPL.

The arbitral tribunal in its May 2017 award had accepted DAMEPL's claim that the running of operations on the line was not viable due to structural defects in the viaduct through which the train would run.

Soon after launching a joint public private partnership to build, operate and run the Airport Express line on August 25, 2008, DMRC and DAMEPL's pact fell apart over some defects in the line identified by the private concessionaire, which were allegedly not cured by DMRC. Citing the inability of DMRC to cure the defects, the Reliance arm terminated the contract and "abandoned" the project, saying that the CMRS certificate was granted with the conditions that the trains have to be run at reduced speed and frequency which would make the operations commercially unviable for it.

However, DMRC said it has been running the airport line since June 2013 when DAMEPL abandoned the project despite repairs of structural defects in November 2012. When all attempts at resolving the dispute failed, DMRC took the case to arbitration and an award was given in favour of DAMEPL. The award asked DMRC to pay nearly Rs.3,000 crore, along with interest.

Economic Times

3. RBI may offer more time for bank-led resolution of NPAs

RBI may do away with the one-day default norm and may give banks 30-day time to identify NPAs in new circular

The RBI is likely to adopt a more accommodative approach towards resolution of stressed assets when it issues a revised circular, replacing the controversial February 12 circular quashed by the Supreme Court.

Sources said the major contention in the Reserve Bank of India's (RBI) controversial February 12, 2018, circular, including the one-day default norm, that was challenged in the court leading to its quashing, will be done away with in the new circular.

Instead, banks will be given 30 days time from the first default to identify and qualify an account as a bad debt (special mention account or SMA) and initiate a resolution exercise.

Besides, the 180-day period given for completing the bank-led resolution will start only after an account is declared an SMA I thirty days from first default, with RBI likely to accede to a suggestion given by the Indian Banks' Association (IBA) to allow individual banks to grant additional 60 days time for approval and implementation of a resolution plan (RP).

So, instead of having 180 days time for a bank-led resolution from day one of default, under new RBI circular, banks could get up to 270 days to resolve an asset without taking it to the National Company Law Tribunal (NCLT) for resolution.

Sources said that the RBI is being guided by suggestions earlier given by the IBA on classification of non-performing assets (NPAs or bad loans) and their resolution. The IBA has made a presentation to the RBI Governor on April 10.

The central bank is expected to retain the main contours of its February 12, 2018, circular while also making the referral to the NCLT non-compulsory.

Also, the RBI could relax norms for approval of a bank led resolution plan. Instead of requiring the unanimous approval of banks, lenders may now get to approve a resolution plan with 90 per cent voting.

The changes in the circular could also relax stringent provisions relating to restructuring for compromise settlements.

Instead of classifying a compromise settlement as restructuring, if the settlement amount payment period extends beyond 90 days requiring a complex rating procedure (RP4), the changed norms could follow the IBA's suggestion of extending the period of settlement amount payment to 180 days.

Also, for a compromise settlement, IBA has suggested that RP4 provision should be withdrawn and only income recognition and asset classification (IRAC) norms used once an account is considered as being restructured.

The IBS has also suggested that an account should be upgraded if 10 per cent of the sustainable debt portion is paid, instead of the current provision requiring payment of 20 per cent of outstanding principal and interest. This will benefit large infrastructure projects having big exposure to banks.

On April 2, the Supreme Court struck down a February 12, 2018, circular of the RBI that asked banks to initiate insolvency process against companies even if there was a day's delay in payment of dues.

As per the circular, banks were told to start the resolution process as soon as a borrower defaulted on a term loan and were given 180 days to cure it, failing which the account would have to be referred to the NCLT. It also said that any company that defaulted on its loan repayment obligation even by a day should be declared a defaulter.

In the earlier circular, the RBI had withdrawn all existing debt-restructuring schemes and asked banks to draw resolution plans for all assets where the banking sector's exposure was more than Rs 2,000 crore.

Business Line

4. Mudra loans miss target by Rs.27,000 crore in FY19

[G Naga Sridhar](#)

Small business loans disbursed under the Pradhan Mantri Mudra Yojana (PMMY) have fallen short of the target set for 2018-19.

Against a target of Rs.3-lakh crore, only Rs.2.73-lakh crore was disbursed as on March 31, 2019, according to government data. This is first time that the target was unmet in the last three years. "Banks and other agencies involved had worked in a mission mode and disbursed nearly Rs.72,000 crore last month, without which the disbursal would have been much lower," said the senior executive of a public sector bank.

As on March 1, 2019, disbursement under the Mudra scheme was only Rs.2.12-lakh crore.

"There were worries about the quality of assets (repayments), which made banks go slow on these loans throughout the year. There was pressure for higher disbursal in March in the backdrop of elections," he added.

There have been reports of a 50 per cent increase in the non-performing assets of Mudra loans in the first three quarters of last fiscal. In January, the RBI, too, cautioned banks on a spike in bad loans under this segment.

Rapid surge

Loan disbursals have been going up rapidly over the years with regular increase in targets. According to data available with Micro Units Development and Refinance Agency (Mudra), the apex body of Mudra loans, Mudra lending went up by 41 per cent during 2017-18 at 2.46-lakh crore, barely crossing the target of Rs.2.40-lakh crore.

The growth, however, came down in 2018-19 at 11 per cent, reflecting caution among lenders. The scheme was launched in 2015 to offer three category of business loans – Shishu (up to Rs.50,000), Kishor (Rs.50,000-5 lakh) and Tarun (Rs.5-10 lakh) for entrepreneurs.

Excessive focus on the Shishu category, which accounts for bulk of total loans and lack of a facility to scale to a higher category of advances, are seen as some of the structural issues to be addressed in the PMMY scheme by bankers.

Though Mudra has commissioned an impact assessment study last year, the outcome has not been released yet, and its portal has again called for bids for a fresh impact assessment study.

5. A rise in demand for insolvency courses

[Shoba Roy](#)

The rise in instances of companies undergoing restructuring and resolution under the Insolvency and Bankruptcy Code seems to be driving the demand for insolvency professionals (IPs), who constitute one of the four key pillars of the insolvency regime.

The rise in awareness is driving the need for specialised programmes for training professionals such as Chartered Accountants, Cost Accountants, Company Secretaries, advocates, or those with a post-graduate degree in major subjects such as economics, finance, commerce and management in the field of insolvency resolution.

The Indian Institute of Corporate Affairs, through its Centre for Insolvency and Bankruptcy, has come up with a two-year Graduate Insolvency Programme (GIP) for training professionals. The certificate programme is approved by the Insolvency and Bankruptcy Board of India (IBBI).

According to MS Sahoo, Chairperson, IBBI, the programme is aimed at tapping the potential of young aspirants, who have the “dynamism and ability” to excel in the field of insolvency resolution.

“A student who completes the GIP will be eligible for registration as an insolvency professional without having to wait to acquire the minimum 10-year experience as required by the code at present,” Sahoo told *BusinessLine*. The programme, which is to be rolled out from July 2019, is tailored to align with the requirements of the industry. GIP’s advisory board will consist of practitioners, regulators, judiciary, and other eminent personalities who will oversee the development of curriculum.

At present, there is no shortage of IPs in the country. The purpose behind rolling out such a course is to create an opportunity for aspiring individuals, said Sahoo.

There are close to 2,500 insolvency professionals at present.

“The programme is not to address the shortage issue, as there is no shortage at present. It is only to offer a different competing route to become an IP,” he pointed out.

More institutes to join fray

While only IICA offers the GIP course at present, more institutes are soon likely to join the fray. IBBI is open to consider request from other institutes for rolling out such courses.

“We had invited for some expression of interest; as and when it comes, it will be processed. The IICA programme will commence in July 2019, and in the next one year we will learn how and where to improve,” said Sahoo.

The IICA programme would serve as a prototype, and based on this more institutes might roll out such courses, he added.

Consultant jobs

According to Mamta Binani, a resolution professional and former president of ICSI, professionals undergoing the two-year programme get to work not only as an IP but can also serve as a consultant to corporates or big firms that are undergoing restructuring.

"The programme should not be looked at only through the prism of IBC because it is not just restricted to that. The IPs can play a role in holistic development and restructuring of corporates," she said.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY