



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
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Dear Comrades,

28th January, 2019

News of Interest 28th Jan

QUOTE OF THE DAY

“SOMETIMES THE RIGHT PATH IS NOT THE EASIEST ONE.”

HIGHLIGHTS

- 1. NUMBER OF CASES WITHDRAWN UNDER SEC 12A OF IBC SEES A SPIKE IN Q3 FY19**
- 2. VIDEOCON LOAN CASE: CBI OFFICER WHO LODGED FIR AGAINST KOCHHAR TRANSFERRED**
- 3. GOVT EMPOWERS PSU BANKS TO SEEK LOOKOUT CIRCULARS AGAINST WILFUL DEFAULTERS**
- 4. RBI MAY RELEASE NPA DATA TO SHOW EFFECT OF FEBRUARY 12, 2018 DIKTAT**
- 5. IIFL HOLDINGS DEMERGER LIKELY IN Q1FY20'**

Business Standard

1. Number of cases withdrawn under Sec 12A of IBC sees a spike in Q3 FY19

At the end of December 2018, two years after the IBC came into effect, 586 cases have been settled one way or another

Ishan Bakshi |

An amendment in the Insolvency and Bankruptcy Code (IBC) last year to insert Section 12A which allowed withdrawal of cases admitted to the National Company Law Tribunal (NCLT) has slowly begun to make an impact.

At the end of December 2018, two years after the IBC came into effect, 586 cases have been settled one way or another.

Of these cases, 11 per cent were actually withdrawn under Section 12A, while resolution plans were approved in only 13 per cent of cases. A staggering 52 per cent of companies ended up in liquidation, while another 24 per cent cases were closed on appeal shows data from the Insolvency and Bankruptcy Board of India (IBBI).

In cases where resolution plans were approved, financial creditors realised only 48 per cent of their admitted claims at the aggregate level — implying a haircut of 52 per cent. However, excluding one case, the haircut in the rest rose to 62 per cent.

Section 12A of the IBC allows the corporate debtor another chance to make good on the default and retain control over the firm even after the case is admitted to NCLT.

It was believed that fear of losing control over the company may prompt the corporate debtor to propose a fresh offer to its financial creditors.

Under this provision, the adjudicating authority may allow the case to be withdrawn from insolvency proceedings if 90 per cent of the committee of creditors (CoCs) agrees to it.

Financial creditors, who form the CoC, may agree to such a proposal from the corporate debtor if the settlement amount offered is greater than the value they expect to receive through the IBC process.

Now, data from IBBI shows that many are availing this option. Of the 586 cases resolved at the end of December 2018, 63 cases were actually withdrawn under Section 12A. By comparison, resolution plans were approved in only 79 cases.

A closer look shows that the number of cases withdrawn under this provision have actually risen from 26 in Q2FY19 to 36 in Q3FY19. Over the same period, the number of resolution plans approved fell from 32 to 13.

In the 79 resolution plans that have been approved, as against total admitted claims of Rs 1.36 trillion, financial creditors realised only Rs 65,795 crores, implying a haircut of almost 52 per cent, shows a report by Kotak Institutional Equities.

But, this recovery rate is largely driven by a single case — Bhushan Steel. In this case, the total admitted claims of financial creditors amounted to Rs 56,022 crore, against which they realised Rs 35,571 crore.

If one was to exclude this case, financial creditors realised only Rs 30,225 crore at the end of December 2018, against admitted claims of Rs 80,106 crore, implying a haircut of 62.3 per cent.

The IBBI data also shows that at the end of December 2018, 898 cases were still at various stages in the resolution process. A little less than a third of these ongoing cases have crossed the 270-day deadline prescribed in the code. The average duration of resolution works out to be higher at around 313 days (for all resolved cases till 3QFY19; 350 for those resolved in 3QFY19) estimates the report by Kotak Institutional Equities.

2. Videocon loan case: CBI officer who lodged FIR against Kochhar transferred

On Jan 24, CBI booked former Chanda Kochhar, her businessman husband Deepak Kochhar and Videocon MD Venugopal Dhoot in a case of alleged irregularities in the sanctioning of loans by the ICICI bank

ANI

The CBI officer-in-charge who lodged FIR in the alleged irregularities pertaining to the sanctioning of loans by the ICICI bank, has been transferred out.

The development took place a day after CBI booked former MD and CEO of ICICI Bank Chanda Kochhar, her husband and others in the case.

Sudhanshu Dhar Mishra, who was Superintendent of Police (SP) of Banking and Securities Fraud Cell of CBI, Delhi, was transferred to CBI's Economic Offences Branch in Ranchi, Jharkhand.

He had signed FIR against Chanda Kochhar, Deepak Kochhar, Venugopal Dhoot and others on January 22 in connection with ICICI-Videocon case.

On January 24, CBI booked former Chanda Kochhar, her businessman husband Deepak Kochhar and Videocon MD Venugopal Dhoot in a case of alleged irregularities in the sanctioning of loans by the ICICI bank.

Kochhar had quit the ICICI on October 4 last year in the wake of allegations that she had favoured Videocon in the lending processes because the consumer electronics company's founders had invested in a company of her husband Deepak Kochhar.

The CBI filed cases against the three along with some others after conducting raids at four premises in Maharashtra, the investigating agency had said.

The preliminary enquiry apparently showed that from June 2009 to October 2011, ICICI Bank had allegedly sanctioned six high-value loans to various Videocon Group companies, CBI sources said.

Chanda Kochhar had taken over the post of the Managing Director of the ICICI Bank on May 1, 2009.

The companies M/S Nupower Renewables Limited (NRL) and M/S Supreme Energy Private Limited (SEPL) have also been named in the case registered by CBI.

It is alleged that SEPL was initially incorporated by Dhoot and his associate Vasant Kakade and the ownership of the company was later transferred to Deepak Kochhar by selling the shares of the company to Pinnacle Energy Trust (PET) which was owned by Kochhar.

It was also alleged that Dhoot had invested a large amount of funds in Deepak Kochhar-owned Nupower months after the Videocon group received Rs 3,250 crore as loan from the ICICI Bank in 2012.

Financial Express

3.Government empowers PSU banks to seek lookout circulars against wilful defaulters

By: [PTI](#)

The ministry issued two circulars recently, authorising chairman-cum-managing directors or chief executive officers of public sector banks and the SFIO to request designated authorities to issue LOCs against any wilful defaulter or fraudster if they think the person may flee the country.

In a bid to prevent big economic offenders like Vijay Mallya and Nirav Modi from fleeing the country, the government has empowered PSU banks to request lookout circulars (LOCs) against wilful defaulters and fraudsters, officials said on Sunday. The Home Ministry has also authorised the Serious Fraud Investigation Office (SFIO), a statutory corporate fraud investigation agency, to request LOCs if it feels the suspect may escape from India.

The ministry issued two circulars recently, authorising chairman-cum-managing directors or chief executive officers of public sector banks and the SFIO to request designated authorities to issue LOCs against any wilful defaulter or fraudster if they think the person may flee the country.

The CMDs and CEOs of PSU banks can now ask the Home Ministry, Ministry of External Affairs, Customs and Income Tax Departments, Directorate of Revenue Intelligence, CBI, regional passport officers and police to issue an LOC to alert immigration check posts to stop anyone leaving India, a home ministry official said.

The SFIO and PSU banks can initiate the process if they suspect that the defaulter may leave the country to escape the law, the official said. Earlier, investigating agencies would request LOCs in cognisable offences under the IPC or other laws in case the accused evaded arrest or did not appear before court despite issuance of non-bailable warrants and other coercive measures and there was a likelihood of the accused leaving the country to escape arrest.

An LOC is valid for a year unless its duration is specified. The government's fresh move came after three high-profile escapes involving liquor baron Vijay Mallya and diamondaires Nirav Modi and Mehul Choksi rocked the country, inviting embarrassment for the government. Mallya left India on March 2, 2016 after defaulting on loan amounting to Rs 9,000 crore he had taken for his now-defunct Kingfisher Airlines.

Jewellery designer Modi and his uncle Choksi, managing director of Gitanjali Gems Ltd, fled the country in January 2018. They are accused of cheating the state-run Punjab National Bank to the tune of Rs 13,000 crore. The government had last year brought the Fugitive Economic Offenders Act, empowering the authorities to attach and confiscate the proceeds of crime and properties of economic offenders, like bank fraudsters or loan defaulters who fled the country. The law is aimed at quickly recovering losses to the exchequer or PSBs in cases of frauds.

Economic Times

4. RBI may release NPA data to show effect of February 12, 2018 diktat

By [Sugata Ghosh](#)

The message sent out by the February 12 circular is that the outcome of default should be automatic, immediate, and transparent.

The Reserve Bank of India (RBI) is weighing a plan to release data that would demonstrate that the number of corporates defaulting on bank loans have dipped following the central bank's stern directive on February 12 last year that had rattled large, influential borrowers and irked many within the government.

The regulator is understood to have sounded out the government on the proposed move that could counter arguments of industry lobbies and defend the directive at a time it has been challenged in the court of law.

"There is a proposal to come out with a 'Mint Street Memo' that will show improvement in default data since the new rule came into effect. The idea is to place the facts before everyone at a time when the industry associations are putting forward their views against the February 12 circular before the new governor," a person familiar with the matter told ET.

Mint Street memos, released by RBI from time to time, are brief reports and analyses on contemporary topics. The documents are prepared by the staff of RBI and Centre for Advanced Financial Research & Learning (CAFRAL), an independent body set up by the central bank.

ET's email to RBI on January 2, seeking its view on the proposed memo, went unanswered till the time of going to press.

Among other things, RBI's February 12 notification directed banks to classify loans as 'special mention accounts' immediately on default, and file insolvency application (in case of borrowers having outstanding debt of Rs 2,000 crore or more) if the debt resolution plan to revive the company is not implemented within 180 days from the date of default.

The notification has been legally challenged with several borrowers taking a stand that the decision to invoke the 'Insolvency and Bankruptcy Code 2016' should be left to lenders and not directed by the banking regulator.

"Even though the subject is sub judice (with the petitions against the circular lying before the Supreme Court), the regulator can always come out with reports based on facts which are not classified..," said a banker.

Rating Agency Backs RBI Claims

Indeed, according to data compiled by India's largest credit rating agency Crisil, the number of defaults is the lowest in the first half of 2018-19 compared with the corresponding period of FY14, FY15, FY16, FY17 and FY18.

"It is a common knowledge that there was a time when some of the senior government functionaries were against the February 12 circular and former governor Urjit Patel had faced the pressure...," said the person.

The message sent out by the February 12 circular is that the outcome of default should be automatic, immediate, and transparent. The directive, say people in banking circles, comes across as harsh because it marks a shift to an inflexible, rule based system in dealing with NPAs and recovery, say bankers.

Business Line

5. IIFL Holdings demerger likely in Q1FY20'

[PTI](#)

IIFL Holdings' loans and mortgages business has an asset under management in excess of Rs 36,000 crore.

The restructuring of financial services firm IIFL Holdings through demerger of its finance, wealth and capital businesses into three separate entities, and listing them on the bourses is likely to be complete in the first quarter of the fiscal 2019-20.

The ongoing NCD issue of the group has already received subscription worth Rs 1,000 crore out of the base issue size of Rs 250 crore, and it is hoping to garner the targeted Rs 2,000 crore from the retail issue soon.

"The demerger process is on track and the same is expected to be complete by April-May (2019-20)," IIFL Holding MD R Venkataraman told PTI.

It is part of the company's strategy to reorganise the corporate structure to block shareholders' value, and let the niche verticals focus on their expertise to grow independently.

"By separating them, we will allow them to grow to their full potential," Chairman Nirmal Jain had said earlier.

The three units -- IIFL Holding demerger following three companies -- IIFL Finance (loans and mortgages), IIFL Wealth (wealth and asset management) and IIFL Securities (capital markets) -- will be created and listed simultaneously.

"The reorganisation will prepare the IIFL group companies for the growth opportunities amid intensifying competition in the coming decade," Venkataraman said.

The demerger will result in an equity shareholding mix in which the owner of seven shares of IIFL Holdings will get seven shares of IIFL Finance, seven shares of IIFL Securities and one share of IIFL Wealth.

At present, IIFL Holdings' loans and mortgages business has an asset under management in excess of Rs 36,000 crore.

The company is aiming at a growth of 20-25 per cent in FY19.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**