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Dear Comrades,

27th March , 2019

News of Interest 27th MAR

QUOTE OF THE DAY

“ALL OUR DREAMS CAN COME TRUE, IF WE HAVE THE COURAGE TO PURSUE THEM”
WALT DISNEY

HIGHLIGHTS

1. SC WARNS RBI FOR FAILING TO DISCLOSE INFORMATION UNDER THE RTI ACT
2. PMLA COURT ALLOWS SALE OF MALLYA'S RS 1,000-CR SHARES, REJECTS UBL'S PLEA
3. BANK BRANCHES DEALING WITH GOVT BUSINESS TO REMAIN OPEN THIS SUNDAY: RBI
4. HOW BAD LOAN MESS IS HURTING LESSER-RATED BORROWERS AS WELL AS BANKS
5. INDIA TO AUCTION NIRAV MODI'S ART COLLECTION TODAY
6. KARUR VYSYA BANK APPOINTS N S SRINATH AS NON-EXECUTIVE CHAIRMAN

Business Standard

1. SC warns RBI for failing to disclose information under the RTI Act

Top court gives RBI two weeks to reply on whether it would share the said information or not

Aashish Aryan |

The Supreme Court on Tuesday warned the Reserve Bank of India (RBI) of contempt proceedings for failing to disclose information regarding the annual inspection reports of banks sought under the Right to Information (RTI) Act. The top court gave the RBI one week's time to comply with the

directions or “be ready to face the consequences”. The matter will be next heard on April 2.

In January, the apex court had issued notice to the RBI on a contempt petition alleging the central bank had not provided information about the inspection conducted on some banks said to be involved in irregularities inside the Sahara Group. The petitioner alleged that the RBI had denied information regarding inspection reports for ICICI Bank, Axis Bank, HDFC Bank and State Bank of India (SBI) despite clear orders of the top court.

The RBI, however, had denied disclosing the information, claiming that the said inspection reports fell under the definition of 'fiduciary information' and hence could not be put out in public domain. The information sought is from Annual Financial Inspection (AFI) Reports, which the RBI prepares as supervisor of banks.

In January 2015, the Supreme Court had in a judgment held that the RBI could not withhold information under the pretext of 'fiduciary relations' with banks.

A two-judge bench of the then Justices M Y Eqbal and C Nagappan had then held that the banking sector regulator was supposed to “uphold public interest and not the interest of banks”. The RBI, the two-judge Bench had said, was thus “clearly not in any fiduciary relationship with any bank.”

“The RBI has no legal duty to maximise the benefit of any public sector or private sector bank, and thus there is no relationship of ‘trust’ between them,” the top court had then said. It had then also observed that this behaviour of the banking sector regulator of denying information under RTI would “only attract more suspicion and disbelief in them”.

Later in February 2016, the top court had asked the RBI to give a list of companies which were in default of loans worth Rs 500 crore or more and whose loans had been restructured under the corporate debts restructuring scheme by the banks or financial institutions.

RBI’s Annual Financial Inspection (AFI) focuses on statutorily mandated areas of solvency, liquidity and operational health of the bank. It covers areas like capital adequacy, asset quality, management, earning, liquidity and system and control.

With drive to clean-up bank balance sheets, RBI’s reports have identified some corporate stressed accounts and asked banks to treat them as Non-Performing Assets. Banks have had to make immediate provisions for them.

AFI is part of banking regulator’s supervisory mandate with on-site inspection of banks on an annual basis. Besides the head office and controlling offices, certain specified branches are covered under inspection so as to ensure a minimum coverage of advances.

The compliance to the inspection findings is followed up in the usual course. The top management of the RBI engages with bank managements highlighting concerns that need immediate rectification, and draw up an action plan, that can be monitored.

2. PMLA court allows sale of Mallya's Rs 1,000-cr shares, rejects UBL's plea

This is the first sale of Mallya's confiscated assets by the authorities since he left the country in March 2016

[Press Trust of India](#) |

In a major step to partly recovering outstanding dues from Vijay Mallya, a PMLA court on Tuesday rejected United Breweries Holdings' plea to stay the proposed sale of shares worth around Rs 1,000 crore of its erstwhile subsidiary United Breweries (UBL) by a court-appointed liquidator.

Special judge M S Azmi rejected their plea on the ground that the court may not have the powers to grant a stay on the proposed sale.

This is the first sale of Mallya's confiscated assets by the authorities since he left the country in March 2016.

United Breweries shares closed over 2 per cent up on the BSE at Rs 1,347.90 Tuesday and the sale of 74,04,932 shares at this price would fetch around Rs 999 crore.

Beer major Heineken is the largest shareholder of UBL with a 44 per cent stake. Earlier this month, it approached SBI to sell them, following which the bank moved the Karnataka High Court seeking rights over a 2.8 per cent stake in UBL on March 18.

The shares are currently held by a court-appointed liquidator and was previously owned by UBHL, the erstwhile holding company of all firms owned by Mallya. UBHL is currently owned by the world's largest liquor company Diageo of England.

Earlier this month, the Debt Recovery Tribunal transferred the shares (about 7.4 million) to a court-appointed liquidator. These shares were earlier attached by the ED, which is investigating allegations of money laundering against Mallya.

UBHL last Friday moved the special PMLA court to stop the sale of 74,04,932 shares of UBL scheduled for Wednesday.

These shares were pledged as collateral by the then owner Mallya through one of his companies UBL. Mallya was declared as a fugitive economic offender by domestic courts earlier this year.

Mallya-promoted Kingfisher Airlines, which ceased operations in December 2012, owes over Rs 9,000 crore to a clutch of lenders led by State Bank of India.

UBHL had sought a stay on the share sale pointing out that these shares along with other properties are already attached by the ED and have multiple claimants including the ED, the banks and DRT.

They also claimed DRT and banks ignored the order passed by the Karnataka High Court stating that the sale of the shares would be subject matter of the special PMLA court.

The Bengaluru bench of the DRT had on March 11 issued a notice to sell these shares. The DRT had stated that shares were being sold to partly recover the secured debt of Rs 6,203.35 crore towards the loan taken by Kingfisher Airlines. Along with interest and penalties banks are demanding Rs 9,000 crore from Mallya.

Financial Express

3. Bank branches dealing with govt business to remain open this Sunday: RBI

By: [PTI](#) |

The Reserve Bank of India (RBI) Tuesday directed banks to keep open their branches dealing with government business on the last day of the financial year (March 31), which happens to be Sunday. "The Government of India has advised that all Pay and Account Offices will remain open on March 31, 2019 (Sunday) to facilitate government receipt and payment transactions. Accordingly, all Agency Banks are advised to keep all their branches dealing with government business open on March 31, 2019 (Sunday)," RBI said in a circular.

In a separate notification, the RBI said the Government of India has desired that all government transactions done by agency banks for financial year 2018-19 must be accounted for within the same financial year and has requested that, as in previous years, certain special arrangements be made for this purpose. "Accordingly, all agency banks should keep the counters of their designated branches conducting government banking open for government transactions up to 8 pm on March 30, 2019 and upto 6 pm on March 31, 2019," it said.

All electronic transactions, including RTGS and NEFT, will continue for the extended time on March 30 and March 31, 2019 for which RBI will issue necessary instructions, it said

Economic Times

4. How bad loan mess is hurting lesser-rated borrowers as well as banks

Banks that got burnt in the recent bad loans bonfire are shutting doors on a big chunk of lesser-rated, needy borrowers

By Joel Rebello, ET Bureau|

Best of the Breed: That's the central hiring mandate to HR line managers at bulge bracket investment banks and private equity firms shopping for talent at top business, law and engineering schools. The key assumption behind this elitist practice is that the majority of those coming on board would be high performers, offsetting the cumulative negative impact of the minuscule minority that might fail to measure up to the exacting standards of Wall/Dalal Street. Curiously, this elitism is being extended to India's commercial banking, as the financial system seeks to extricate about Rs 10 lakh crore stuck in bad loans. Lenders now prefer retail borrowers to companies, and the highest-rated businesses in the land to those that come slightly lower down in the pecking order of credit-worthiness. India's standing as a large consumption economy explains the tilt towards retail.

But how will banks manage to fund only 25% of the credit-rated investment grade and above?

Wafer-thin margins: This segment is already overbanked as better risk profile, diverse businesses and greater access to funds in India and abroad have helped attract banks toward these behemoths.

The shift toward this higher-rated companies is clear from the investor presentation on the website of top private sector financiers such as ICICI Bank and Axis Bank.

ICICI's lending to A- and above companies has increased to 66.3% of its loan book in December 2018 from 51.9% in March 2016 even as the loan book has increased to Rs 5.64 lakh crore from Rs 4.35 lakh crore in March 2016.

For Axis Bank, the BB-rated portfolio as a percentage of gross customer assets has come down from a peak of 7.3% in the first quarter of fiscal 2017 to 1.40% in December 2018.

As banks have burnt their fingers in lending to lower rated, fast growing and infrastructure companies, this space is set to get more crowded fetching lower margins.

Safety first, glory if possible: Indeed banks are preparing to sacrifice some profitability in favour of lower credit risk.

"It is a trade-off between higher margins and going for higher-rated loans, which means that the pricing will come down. Banks will have to make up for this lost income through avenues like other income," said Sujit Kumar Varma, deputy managing director, corporate accounts group at State Bank of India. The country's biggest lender is also following its private sector peers in consolidating its wholesale lending toward higher-rated companies. It also means that companies rated lower than BBB will find it difficult to access funds and may have to depend on nonbanking sources.

This is because India's local corporate bond market is still unreceptive to issuances from companies below AA. Data from Crisil shows that more than 68% of the issues in the local bond market are companies rated AAA as of December 2018, up from just below 65% in fiscal ended 2015.

NBFCs and lower-rated borrowers: Also, with NBFCs facing their own set of issues centred around adequate liquidity, it remains to be seen whether these companies can get funding at all.

Bankers acknowledge that the pivot toward better credit profile could leave some companies behind.

"There may be companies in the Rs 250 crore to Rs 1,000 crore turnover mark that may find it difficult. But these companies, to an extent, are not bankable and getting money back from them is also difficult. I also have no obligation to lend to these companies," said Rajiv Anand, executive director in charge of wholesale business at Axis Bank. Anand disagreed that the shift toward better credit profiles will in itself impact profitability, instead pointing out that better credit risk could in fact become a driver for better margins in the future.

Credit mispricing: But bankers also acknowledge that India is among the few countries where credit pricing for top-rated companies has been mispriced. And this shift toward higher-rated securities will further skew the pricing table.

"One of the big challenges in India is the country is mispriced at the top end. For India's risk rating, the kind of pricing that you get is wafer thin. So you have got to be very selective about building a business at the top end without being a drag from a return on investment standpoint," said Piyush Gupta, CEO at DBS Bank, which earlier this month opened a domestic banking unit in the country with an aim to target lending to individuals, small and medium enterprises and offer a wider network to large Indian companies, some of whom DBS already banks.

DBS also went through its own NPA crisis in 2011-12 mainly due to loans given to mid-sized, promoter-led businesses, which depended too much on the government for their revenue.

Gupta said that in its new avatar, DBS will focus on a mix of high credit and returns to make a profitable business in the country.

Jobs on the line: Analysts say Indian banking is at a crucial crossroads, which could define wholesale banking in the country. "Don't forget that some CEOs have lost their jobs because of the mistake they made in assessing risks. So bank managements and boards are now sensitive to the risks more than they were before. There is also increased surveillance of end use of funds and credit appraisal. Overall lending has tightened, which is good from the point of view of credit evolution," said Asutosh Mishra, head of research at Ashika Stock Broking. Mishra said banks also burnt their fingers by lending to lower-rated companies because increased competition had pushed them to lend at rates lower than their credit assessment. "Those were the pre MCLR days when banks could also go below their benchmark rates, which is not possible now. Ultimately, the aim is better credit appraisal," Mishra said. Bankers said the last decade has forced banks to strengthen their credit appraisal by looking at different metrics, like cash flows. All these will be used in lending to lower-rated companies. "It is not that we will completely stop lending to these companies. We can still analyse their cash flows and lend to companies with whom we have a relationship even if they are rated lower. Banks will have to ultimately develop their own mechanism in assessing credit risk in the long run, which is already happening," said Varma from SBI. The choices banks make in the next few months are going to change their business for the next decade or so.

Business Line

5. India to auction Nirav Modi's art collection today

[Reuters MUMBAI](#)

The authorities will auction 68 artworks, including works by Raja Ravi Varma and VS Gaitonde.

Indian tax authorities are hoping for a windfall with the auction on Tuesday of rare oil paintings that were once part of fugitive billionaire jeweller Nirav Modi's collection and have been seized by the government.

Auctioneers say the sale is the first of its kind in a country where tax authorities have usually auctioned property, gold and luxury items, but not art.

After a court order allowing the auction to take place, tax authorities — who are pursuing Modi over the country's largest bank fraud — appointed professional auction house Saffron art.

The sale in Mumbai of some 68 works is expected to fetch anywhere from Rs 30 crores to Rs 50 crores (\$4.4 million-\$7.3 million).

"Until a few years ago, the tax authorities really didn't know the value of art," said Farah Siddiqui, an art adviser who is advising clients eyeing Modi's collection.

The 48-year-old Modi, whose diamonds have sparkled on Hollywood stars, is one of the prime accused in a \$2 billion loan fraud at state-run Punjab National Bank. Modi denies the charges and believes they are politically motivated.

The auction comes just weeks before a national election and as Indian Prime Minister Narendra Modi faces pressure to bring back Nirav Modi, who fled the country last year and has been residing in the United Kingdom. He was arrested last week by British authorities and remanded in custody after he appeared before a London court. India asked Britain last August to extradite Modi.

The auction includes works by Raja Ravi Varma, a 19th century painter considered among India's finest, and VS Gaitonde, a modern artist known for his abstract and often monochromatic paintings.

"We believe that the collection's intrinsic value will garner a positive response from collectors," said Saffron art Chief Executive Dinesh Vazirani.

India Law Alliance, a law firm representing the company controlled by Modi that owns the artwork, said it was challenging the court order that allowed the auction. The case will be heard by the Bombay High Court on Wednesday, a lawyer at the firm told *Reuters*. Vijay Aggarwal, a lawyer for Modi, declined to comment.

6. Karur Vysya Bank appoints N S Srinath as non-executive chairman

[PTI New Delhi |](#)

Karur Vysya Bank on Tuesday said it has appointed N S Srinath as non-executive chairman for a period of three years.

Srinath, 66, was the non-executive independent director on the board of the private sector lender.

"The board in its meeting held today appointed N S Srinath, non-executive independent director as the non-executive (part-time) chairman of the bank, for a period of three years... subject to the approval of the Reserve Bank of India and the shareholders of the bank," Karur Vysya Bank said in a BSE filing.

Srinath had earlier served as an executive director on the board of Bank of Baroda and superannuated on May 31, 2012.

With kind regards,

Yours Comradely,

A handwritten signature in blue ink, appearing to read 'N. Govindrajulu', with a long horizontal stroke extending to the right.

**(N. GOVINDRAJULU)
GENERAL SECRETARY**