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Banking sector this week: ICICI Bank CEO Chanda Kochhar may have to explain or step down

With much at stake for ICICI Group as an institution, the board may have to make more amends to restore faith of investors and depositors in the bank and towards its CEO.

Beena Parmar Moneycontrol 15 4 2018

The last couple of weeks have been tough for ICICI Bank's Chanda Kochhar, who is one of India's top bankers, as she fights losing confidence from investors, media and experts in the banking sector.

Speculations and suggestions of her stepping down as the CEOand Managing Director of ICICI Bank, which is country's largest private sector bank, have been rife as the nepotism links widen amid various investigations and reports.

"A couple of Board members do have reservations on her continuing as the CEO but they are still evaluating the process. Also, given the asset quality troubles, weak investor response to the IPO of ICICI Securities and the losing investor confidence, it may be a matter of time that she may have to step down till the investigations give her a clean chit," said a person aware of the developments.

At present, the 12-member ICICI Bank board has six executive directors or bank employees, and six non-executive directors. The latter six include bank Chairman MK Sharma, LIC chairman VK Sharma, Finance Ministry Joint Secretary Lok Ranjan (replaced Amit Agarwal on April 5) and three other independent experts (Dileep Choksi, Neelam Dhawan and Tushaar Shah).

On March 29, a news report of the allegations made by a whistleblower in October 2016 through a blog resurfaced in the media, raising questions over ICICI Bank sanctioning loans to the Videocon Group in 2012, allegedly because its chairman Venugopal Dhoot had business dealings with NuPower Renewables, a firm owned by Chanda Kochhar's husband Deepak Kochhar.

Questions were also raised on her presence in the credit committee that decided on loans and if any disclosures of the links between Dhoot and her 'relative' were made to the Board.

Although the board of ICICI Bank has backed its chief, ruling out any conflict of interest or quid pro quo after a review done on March 28 by all members, ICICI Bank's stock has plunged as much as 14 percent during the last one month.

Various commentators have also raised concerns of the growing discomfort and waning faith in corporate governance in private sector firms' boards. This also comes after Axis Bank's board, within four months, reversed its decision on the reappointment of its CEO and MD Shikha Sharma, who will step down in December this year, reducing her fourth term from three years to seven months.

While Axis Bank has buckled under pressure from Reserve Bank of India, which had asked the bank's board to reconsider Sharma's 3-year term reappointment, reports suggest RBI had intervened in ICICI Bank-Videocon controversy in 2016 and is doing so again to decide the next step for ICICI Bank's board. On the other hand, Finance Ministry is only taking updates but will let RBI decide the action plan.

Global credit rating agency Fitch Ratings issued a note last week stating the potential conflict of interest and raising questions over ICICI Bank's governance and reputational risks. It has slammed what it calls to ICICI's "reluctance to support an independent probe" into the matter.

Over the past two weeks, the Income Tax Department has sent a notice to Deepak Kochhar, and issued lookout notices for him at airports. The Central Bureau of Investigation (CBI) has questioned his brother Rajiv Kochhar, in relation to his firm Avista Advisory playing a role in restructuring of loans to Videocon Group, directors of NuPower and Mahesh Chandra Punglia, a longtime consultant of the Videocon Group and confidante of Dhoot.

Even as nothing has been proven so far, developments and new public records unearthed by various media reports since the allegations came to light have not captured the bank in a good light.

Further, complete silence from Chanda Kochhar since then and Chairman MK Sharma's refusal to take any questions after a media briefing where he came out in support of her, has added fuel to the fire.

With much at stake for ICICI Group as an institution, the board may have to make more amends to restore faith of investors and depositors in the bank and towards its CEO.

Till then, the uncertainty continues to loom on her term, which if we were to go by the current scenario, could end before its expiry in March 2019.

Bankers across country frown upon SBI's move to recast its Caps structure

By Sunitha natti Express News Service 15th April 2018

MUMBAI: If it is not sorted out, a battle among banks could soon be drawn, with the country's largest banker State Bank of India (SBI) on one side and other public sector banks on the other.

Reason: SBI's proposal to revamp the structure of SBI Caps, a wholly-owned subsidiary that advises banks and financial institutions whether and how much they should lend to a given corporate and how to restructure debt in case of a default, besides other services.

Worse, some bank chiefs have even raised concerns about the quality of service rendered by SBI Caps.

And the numbers speak for themselves. In FY17, as per SBI Caps' annual report, debts were written off in as many as 654 cases it advised, including 402 cases where the amount due was declared not recoverable, while over 71 cases were written off due to liquidity crisis by the borrower.

SBI, on its part, is maintaining that its investment banking arm is a professionally run entity and that banks should have conducted their own due diligence before offering a loan.

"RBI norms are very clear that all banks must engage merchant bankers to do independent reviews before lending," Rajnish Kumar, chairman, SBI told Express.

He added that the proposal to merge or hive off SBI Caps' divisions like loan syndication was as part of its ongoing business revamping strategy and to find synergies.

SBI's project finance division is the lucrative business units within SBI Caps that raked in a plum Rs 383 crore in gross fee income, or nearly 90 per cent of its total income last fiscal.

For long, SBI participated aggressively in disbursing corporate loans both large and small, and it was predominantly the lead banker. But bank chiefs admit that smaller state-run banks lacked enough muscle to do their own due diligence and simply relied on SBI Caps' appraisal.

Kumar, however, clarified that when it comes to debt restructuring it doesn't consciously engage SBI Caps and instead the bank's internal team restructures most of the bad loans. But here's the catch.

“Currently, the arrangement is such that, if a client engages SBI Caps to redo loan repayment terms, it’s a different matter... we will go with it,” Kumar explained without disclosing the quantum where SBI Caps is mandated to recast the outstanding debt.

With a majority of the cases SBI Caps appraised falling back on repayments, engaging it to restructure loans will obviously lead to conflict of interest, at least in accounts where SBI is one of the lending partners.

But as we speak, the investment arm is being engaged in various debt restructuring proposals, which some believe benefits SBI, despite the availability of other private merchant bankers including the investment banking arms of Axis, ICICI and IDBI Bank.

Apparently, the banking regulator RBI raised objections to SBI’s proposal (which includes merging SBI Caps’ loan syndication division with itself) citing conflict of interest and according to sources, bankers are now joining forces to oppose the move as SBI Caps is the market leader and has rendered project financing services to over 50 per cent of all loans that Indian banks have so far disbursed.

In fact, the SBI Caps was ranked first cross Asia Pacific and Japan (mandated lead arranger (for corporate loans) in 2016, as per the Thomson Reuters League Tables. It was also ranked fourth in the Global Project Finance rankings with a global market share of about 4 per cent.

Banks have also woken up and are opposing decisions that SBI Caps has put its approval stamp on.

A case in point is the notable and complex merger proposal of Reliance Communications and Aircel, which eventually fell through, thanks to the active participating of banks and financial institutions.

Banking sources also confirmed that they will wait for RBI’s final take on the SBI Caps’ revamping proposal.

“The Indian Banks’ Association will take this up further, if it deems fit,” said another banker without disclosing a specific timeframe for such a deliberation.

He added that the prevailing market conditions and industry outlook added to the NPA pile. "We cannot put the entire blame on merchant banker's advice if a suggested investment decision failed," he explained.

Meanwhile, as if the underlying overlap of SBI Caps role in both loan syndication and debt restructuring is not enough, the government last year roped it into chart out the course of action for the mammoth Rs 2.11 lakh crore bank recapitalisation plan, which some bankers have raised the objection to.

"Engaging an entity, which is partly responsible for the bad loan crisis, to roll out a survival package is self-defeating," the official said.

Bank manager among three arrested for plotting loot in Odisha

By Express News Service | Published: 15th April 2018

Arrested Manager of Bandhan Bank and two other accused. (EPS)

BARIPADA: Mayurbhanj police on Sunday cracked the Bandhan Bank robbery case by apprehending three persons, including a manager of the bank who allegedly plotted the loot.

Police have seized the loot amount of Rs 3.4 lakh along with a car and a bike from their possessions.

Bandhan Bank's Doorstep Service Centre (DSC) Manager at Manitri Bhajan Kar, Doorstep Banking Officer (DBO) Sitaram Sahu and receiver of loot money Brajasekhar Pradhan were being interrogated.

Baripada SP Awinash Kumar said technical clues gathered during the investigation helped to crack the case and led to the arrest of the three, including two employees of the bank.

The investigations revealed that Kar, a native of Sunarpur in South 24 Pargana district of West Bengal, had in fact orchestrated the crime in connivance with Sahu to misappropriate the amount.

On April 5, Sahu had lodged a complaint with Badasahi police regarding robbery of Rs 3.4 lakh at gun point while they were returning after collection of cash from Baripada branch office of Bandhan Bank.

"Police had formed two teams to probe the case. Basing on the leads given by the teams and consequential contradictions that came up during probe, we came to know that Kar and Sahu had plotted the crime," Kumar said.

These two, the SP added, had conspired with Padhan, a resident of Kalama village in Balasore district to misappropriate the amount. Later, as per their game plan Sahu appeared before police and told the previously hatched up story to get the case registered against unknown accused.

Investigations revealed that sensing trouble Kar had thrown his mobile phone to a river. But before that police had successfully cracked the case by tracking the cell phone of Sahu.

CVC wants details of frauds from banks to devise preventive mechanism

Central Vigilance Commissioner said the exercise to collect and analyse data is to find out what kind of frauds are happening in the banks.

PTI moneycontrolcom 15 4 2018

The probity watchdog CVC has asked banks to give details of any fraud worth over Rs three crore to devise a preventive mechanism.

"Because this data is originally lying with respective banks and RBI. We felt if we know what kind of frauds are happening and their reasons could be analysed, then some preventive steps can be taken (to check them)," Central Vigilance Commissioner K V Chowdary told PTI.

Underscoring the need for a detailed research on the subject, which CVC has initiated, he said the exercise to collect and analyse data is to find out what kind of frauds are happening in the banks.

"So we have started to collect data. We have got some portion of data. The remaining data is yet to come. We have analysed, I think about 100 cases and have tried to see whether they fall into a particular pattern," Chowdary said.

His assertion assumes importance amid cases of large scale frauds reported in government-owned Punjab National Bank (PNB) and UCO Bank.

As part of the preventive mechanism, the Commission has been insisting on rotational transfer of bank employees working on sensitive posts, the chief of probity watchdog said.

"If the person cannot be shifted from one place to another, he may be shifted at least within the same place or from one branch to another or at least within the branch from one seat to another," he said.

Chowdary said there should be defined timelines for all the works done by banks to check frauds or any other irregularities.

He said the preventive vigilance mechanism in banks has to be strengthened.

"The guidelines and operating procedures has to be strengthened. It has to be ensured that they are followed," Chowdary said.

He said there is a need for a more effective audit mechanism in banks to check any irregularities.

NPAs in Q4 to rise by Rs 8,000 crore on account of Gitanjali Gems

Non performing assets (NPAs) or bad loans in the banking sector are set to shoot up by at least Rs 8,000 crore as advances to Gitanjali Gems group have turned bad during the quarter ended March 31.

Banks will have to make provisioning of Rs 8,000 crore for Gitanjali alone as there has been no servicing of the working capital loan during the fourth quarter of last fiscal, sources said.

Gitanjali, among others, is the major account which has turned bad in the fourth quarter of 2017-18.

Gross NPAs of all the banks in the country amounted to Rs 8,40,958 crore in December, led by industry loans followed by services and agriculture sectors, as per the government estimates.

Gitanjali is promoted by Mehul Choksi, uncle of billionaire diamantaire Nirav Modi, who defrauded Punjab National Bank (PNB) of over Rs 13,000 crore by getting fake Letters of Undertaking/Credit (LoU/LoCs) issued from one of the bank's branches in Mumbai.

A special CBI court in Mumbai has issued non-bailable warrants (NBWs) against Modi as well as Choksi.

A consortium of 21 banks led by Allahabad Bank had first extended working capital loan to it in 2010-11. In 2014, ICICI Bank became the lead banker as it had highest exposure of about Rs 900 crore and in line with the revised guidelines of the Reserve Bank of India.

Till December 2017, the loans to Gitanjali Gems were standard and regular debt servicing was being done. There is no servicing of debt in the last quarter ended March 31, so it has to be declared NPA by all banks, said a senior bank official of the consortium.

In 2015, the consortium had restructured working capital loans given to Gitanjali under the joint lenders' forum (JLF) mechanism.

The Gitanjali exposure was classified as a special mention account-2 (SMA-2) in 2014 after the company failed to fulfil its payment obligations for more than 60 days, triggering the formation of a JLF.

As a result, the company announced consolidation of the business at the group level to improve cash flows and reduce costs in various activities such as sourcing, manufacturing, distribution, exporting and retailing.

It proposed the merger of three of its subsidiaries Asmi Jewellery India and Spectrum Jewellery with Nakshatra Brands and also the merger of Gitanjali Jewellery Retail and Gitanjali Lifestyle with GILI India.

Different investigating agencies, including CBI, I-T and Enforcement Directorate, are probing the fraud, which came to light in January, dubbed as the biggest banking scam in the country.

PNB had issued as many as 1,590 LoUs to Modi, Choksi and their associates.

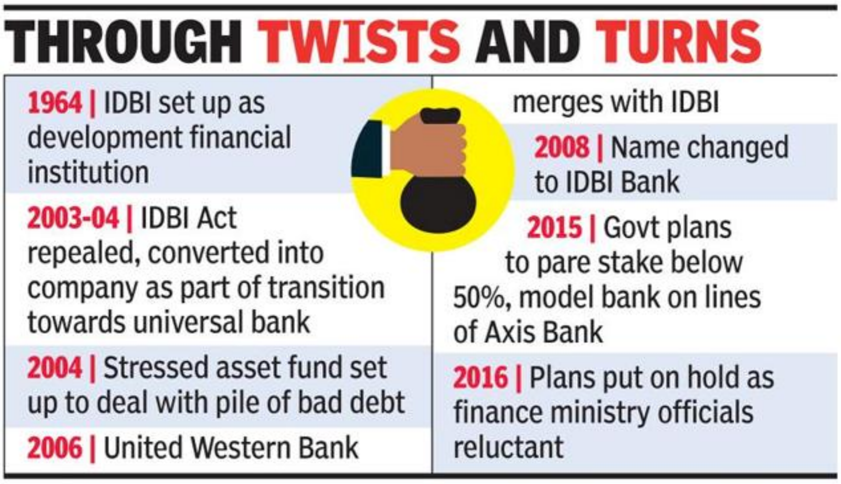
The total number of LoUs issued to the companies of Modi, his relatives and the Nirav Modi Group are 1,213, while those to Choksi, his relatives and the Gitanjali Group are 377

Govt goes back to plans for restructuring of IDBI Bank

TNN | Apr 16, 2018,

NEW DELHI: The finance ministry has reopened the case for restructuring of IDBI Bank, including a possible sale of government stake to private players, as it seeks to stop a further burden on the exchequer and use the money for other social security schemes. The government, which holds 78% in the bank, had put its plan to pare stake in the erstwhile financial institution on hold amid reluctance within the finance ministry to reduce the Centre's holding as officials feared that they may be hounded by investigative and audit agencies in future.

To compound the problem, the mounting losses in the state-run banking sector derailed the proposal to model IDBI Bank on the lines of Axis Bank where the government is a small shareholder with the shares held by the Specified Undertaking of UTI, or SUUTI.



Sources said that the government has once again started looking at all options related to IDBI Bank, although they did not indicate a time frame, given the political constraints due to next year's general elections. The sources said that the plan was to move ahead with IDBI's restructuring, but the fraud at PNB came as a setback and resulted in the government's energy being diverted to address the immediate problem.

At the same time, they realised that the Centre was going ahead with disinvestment of Air India, the national carrier and another cash-guzzling public sector player.

Meanwhile, the new management at IDBI Bank — led by MD and CEO M K Jain — has started getting rid of non-core assets, including real estate, to raise funds. This is expected to partly allay fears some officials had as they saw massive real estate holdings in south Mumbai and other upmarket localities as an area of concern while valuing the state-owned lender.

Sources said that the government is not in a position to keep pumping resources into public sector lenders as the same money can be deployed elsewhere, given the huge requirement to fund crucial sectors such as health and education

Six banks, including PNB, cheated of Rs.187 crore

Devesh K. Pandey NEW DELHI, APRIL 14, 2018 THE HINDU

In yet another case involving the Punjab National Bank, the Central Bureau of Investigation has registered an FIR against S.S.K Trading, its directors and others for allegedly cheating a consortium of six banks of Rs 187 crore.

According to the agency, the PNB and other banks: the Central Bank of India, Andhra Bank, Syndicate Bank, Bank of Baroda and the Oriental Bank of Commerce, were part of the consortium.

The accused persons allegedly removed and disposed of the hypothecated stocks and cheated the banks by submitting false stock statements and other related documents.

Certain bank officials are also under the CBI scanner for suspected role.

AIBEA THIS DAY – 18 APRIL	
1940	Com. Eknath Pai, Former Asst. Secretary, AIBEA (date of birth).
1975	Tragic and unbearable loss.Com. H L Parvana passes away at the age of 52 at New Delhi.

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