



ED quizzes Chanda Kochhar, Nishant Kanodia in loan irregularity case

[Gautam S. Mengle](#)

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THE  HINDU

The Enforcement Directorate (ED) on Sunday questioned former ICICI Bank Chief Executive Officer and Managing Director (CEO&MD) Chanda Kochhar for the third time in a row in connection with the alleged irregularities in the granting of loans by the bank during her tenure. The ED also questioned Nishant Kanodia, Chairman of Matix Fertilizers and Chemicals Ltd. and son-in-law of Essar Group Vice Chairman Ravi Ruia, for the first time in connection with the case.

According to the ED's officers, Ms. Kochhar and Mr. Kanodia were summoned for inquiries on Sunday morning. While Ms. Kochhar appeared for inquiries on Sunday morning, Mr. Kanodia reached in the afternoon.

"Inquiries so far indicate that, in 2010, when Ms. Kochhar was with the bank, loans amounting to \$520 million were released to one of Essar's companies based in the U.S. Shortly thereafter, a sum of Rs.325 crore was paid to NuPower Renewables Private Limited, owned by Ms. Kochhar's husband, by Firstland Holdings Limited, a Mauritius-based company owned by Mr. Kanodia," a senior ED officer said.

The officer added that the timing of the money transfer is suspicious and similar to the alleged kickback paid to NuPower Renewables by Videocon Industries Limited (VIL) immediately after ICICI Bank released its loan

amount to VIL. The ED has also named VIL Chairman Venugopal Dhoot as an accused in the case, apart from Chanda Kochhar and her husband Deepak.

The Income Tax (I-T) Department, too, had previously initiated a probe into the alleged association between ICICI Bank, the Essar Group and Firstland Holdings, and letters rogatory (LRs) had also been issued to facilitate speedy sharing of information, as some of the parties involved were based out of India. LRs are diplomatic tools that are used for seeking information in cases where the investigation spans across international borders.

The ED has on Saturday quizzed the Kochchars and Mr Dhoot for several hours in connection with the case. The ED, under provisions of the Prevention of Money Laundering Act, is working on establishing the trail of money in the case.

ICICI-Videocon case: Chanda Kochhar, husband appear before ED

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THE HINDU
BusinessLine

Former ICICI Bank CEO Chanda Kochhar and husband Deepak Kochhar appeared before the Enforcement Directorate here on Saturday in connection with a money-laundering case related to a bank loan fraud, officials said.

The two reached the central agency's regional office in Ballard Estate area around noon, a day after the ED raided their premises. Officials said the investigating officer of the case will record their statements under the Prevention of Money Laundering Act (PMLA).

The [ED on Friday conducted searches](#) at the premises of Chanda Kochhar, former chairman ICICI Bank, and Venugopal Dhoot of Videocon Group in Mumbai and Aurangabad, respectively. A total of five premises were covered, officials said. The two were grilled by the agency officials on

Friday too. It is expected that Dhoot, a Videocon Group promoter, who was also questioned on Friday, will appear before the agency on Saturday.

The ED has registered a criminal case under the PMLA early this year against Chanda Kochhar, Deepak Kochhar, Dhoot and others to probe alleged irregularities and corrupt practices in sanctioning of Rs 1,875-crore loans by ICICI Bank to the corporate group.

The CBI has named all the three and Dhoot's companies -- Videocon International Electronics Ltd (VIEL) and Videocon Industries Limited (VIL). The CBI also named Supreme Energy, a company founded by Dhoot, and NuPower Renewables, a company controlled by Deepak Kochhar, in the FIR.

Will rise in claims bump up insurance premium under Ayushman Bharat?

Radhika Merwin | BL Research Bureau | March 01, 2019

THE HINDU
BusinessLine

The current tender with United India Insurance, at a premium of Rs.699, comes up for renewal in 2022.

Tamil Nadu, which has integrated the Chief Minister's Comprehensive Health Insurance Scheme (CMCHIS) with the Centre's Ayushman Bharat scheme, has submitted 1.25 lakh claims so far totalling Rs.274 crore. United India Insurance, the State's insurance partner for the earlier CMCHIS, currently charges a premium of Rs.699 per cover, which is borne by the State (under Ayushman, it is split between the Centre and the State in 60:40 ratio for 77 lakh beneficiaries).

The existing tender comes up for renewal in 2022. The fact that the State's health scheme has been in operation for over seven years, and claims have more or less stabilised, lends comfort on the premium front.

But integration of Ayushman with CMCHIS is likely to increase awareness and also lead to substantial rise in claims over the next two to three years. This could bump up premium costs significantly when the tender comes up for renewal.

A wider coverage

Tamil Nadu's CMCHIS offered a coverage of Rs.1 lakh to Rs.2 lakh per year for specified procedures for those with an annual income of less than Rs.72,000. Under Ayushman (PMJAY-CMCHIS), while about 77 lakh beneficiaries must be covered as per SECC data, the State covers close to 1.47 crore families for up to Rs.5 lakh according to the income criteria.

According to the existing tender, which is up to 2022, the insurance company will take care of specified procedures up to the sum insured of Rs.1 lakh or Rs.2 lakh. For uncovered procedures beyond the sum insured, reimbursement will be done by the State.

Health check		
Top 5 hospitals (amount wise)	Claims (numbers)	Claims amount (₹ cr)
Government		
Madras Medical College, Chennai	13,761	22.82
Govt. Rajaji Hospital, Madurai	6,964	12.00
Govt. Stanley Medical College Hospital, Chennai	4,989	9.17
Tirunelveli Medical College Hosp, Tirunelveli	5,685	7.52
Coimbatore Govt Medical College, Coimbatore	3,788	7.00
Private		
Jpmer Hospital, Pondicherry	3,568	9.09
VMC Speciality Hospital, Madurai	811	6.21
Sri Ramakrishna Hospital, Coimbatore	2,531	5.99
Meenakshi Mission Hosp and Rsrch Centre, Madurai	1,102	4.66
Sri Ramachandra Medical Center, Kancheepuram	2,106	4.50

From the period Sept 23, 2018 to Feb 25, 2019

As awareness increases and claims shoot up, premium costs could go up over the next two to three years. Currently, the overall utilisation has been 3-4 per cent over the past few years – that is, of the 1.4 crore families – about six lakh have been availing benefits under the CMCHIS every year. If utilisation moves up to 5-6 per cent, premiums could go up substantially.

Mitigating factors

However, there are some factors that lend comfort. Ayushman covers 1,393 procedures, while CMCHIS covered 1,027 packages.

About 335 packages fall under both schemes, while 635 are covered in one and not the other. All three types – totalling 970 – are clubbed and covered under the new integrated health scheme called PMJAY-CMCHIS.

“The remaining 423 packages (1,393 less 970) have been reserved only for government hospitals. These are mainly low-end procedures. The re-jigging of the packages in such a way ensures minimal burden on the insurer as the procedures reserved for government hospitals are zero packages,” explains Selvavinayagam.

This implies that these procedures will be free for a patient, but the government hospital will not get reimbursed for this. “With the high-volume low-end procedures pushed to government hospitals, the misuse is also reduced,” adds Selvavinayagam.

High-end specialised procedures that were already covered under CMCHIS continue under Ayushman, hence, capping the extent of revision in premium. The top claims in the State have been related to high-end procedures such as cardiology and renal.

The State agreeing to bear the burden of excess claims also helps cap the premium, adds Prema Mukilan, Chief Manager, United India Insurance.

IL&FS ignored risk assessment reports while extending loans: audit

[Ashish Rukhaiyar](#)

MUMBAI, MARCH 04, 2019

THE  HINDU

'Firms took money from company to pay off existing loans to its subsidiary'

A forensic audit report of IL&FS has found serious lapses in the manner in which huge loans were extended to certain entities even after internal risk assessment clearly showed that the borrowers were under financial stress.

Further, various instances have been found wherein the committee of directors of the infrastructure financing company extended loans at a negative spread to borrowers facing liquidity issues. (A negative spread occurs when interest rates charged on amounts lent are lower than interest rates paid on borrowed sums.)

Potential stress

According to the forensic audit report prepared by Grant Thornton, the quantum of such loans is pegged at over Rs.4,300 crore.

Among other observations, the report said the forensic audit "identified 18 instances where the Committee of Directors (CoD) ultimately approved loans to those borrowers who appeared to be in potential stress on the basis of media reports/articles in the public domain and in spite of a negative assessment by the risk

team” while pegging the quantum of such loans at about Rs.2,400 crore.

Damning report
Some questionable transactions of IL&FS



₹2,502 crore Group companies of borrowers used money to repay existing debt obligations with IL&FS Financial Services

₹2,400 crore Directors approved loans despite negative assessment by risk team

₹2,270 crore Loans to third parties were used by them to provide funds to IL&FS Group companies

₹1,922 crore Directors sanctioned loans at a negative spread or limited spread to financially stressed companies

₹541 crore Funds borrowed for short-term purposes potentially used for long-term purposes

₹145 crore Borrowers used loans to repay the existing debt obligations with IL&FS Financial Services

Meanwhile, another 16 instances with a cumulative loan amount of Rs.1,922 crore were found wherein the CoD sanctioned loans at a negative spread or limited spread, for those companies, which clearly were under stress.

Seven loans written off

Of such instances, seven loans have either been written off or are related parties of the companies for whom loans were written off, while in five instances, the CoD ultimately approved loans even after a negative assessment by the risk team, as per the report. Separately, the audit found 29 instances of loans collectively worth over Rs.2,500 crore that were given to entities, whose group companies used the money to repay existing loans taken from IL&FS Financial Services, a 100% subsidiary of IL&FS and a Systemically Important Non-Deposit Taking Non-Banking Finance Company.

As per the report, Electrosteel Steels, Kvk Energy & Infrastructure, Pallav Trading and Dev Rishabh Real Estate, were among entities who were either given loans on a negative spread

or a limited spread of less than 3%, even as money was lent to many borrowers at a spread of 7-9%.

“Unapproved board minutes appear to suggest that the board of directors — specifically members of the board who are also a part of the CoD — were potentially aware that the loans provided to third parties were further forwarded/lent to IL&FS group companies,” stated the report.

The Hindu has reviewed a copy of the report. It has also highlighted instances of possible conflict of interest wherein loans were given to entities whose promoters also served as directors of IL&FS Group companies.

Deepening slowdown: on the Indian economy

MARCH 04, 2019
[EDITORIAL](#)

THE  HINDU

Can the RBI's reduction in borrowing costs help check the demand slowdown?

India's economy is inarguably slowing, and the latest estimates from the Central Statistics Office disconcertingly point to a deepening slowdown. [GDP growth is projected to have eased to 6.6%](#) in the October-December period. With the CSO now forecasting the full-year expansion at 7%, fiscal fourth-quarter growth is implicitly pegged at an even slower 6.5%. At that level, growth would have slowed to a seven-quarter low, giving the incumbent NDA government its slowest pace of annual growth. The data clearly reflect the pain points in the real economy that have been evident for some time now. For one, the farm sector continues to remain in trouble with GVA (gross value added) growth in agriculture, forestry and fishing having slowed sharply to 2.7%

in the last quarter, from a 4.2% pace in July-September and 4.6% a year earlier. With rabi sowing showing a shortfall across most crops after a deficient north-east monsoon, and the abiding structural issues that have pushed a multitude of farmers into acute distress nowhere near resolution, it is hard to foresee an early revival in this crucial primary sector. This, in turn, continues to dog demand in the hinterland for manufactured products, from two-wheelers to tractors, and is evident in the consumption spending data. Growth in private final consumption expenditure eased appreciably to 8.4%, from the second quarter's pace of 9.8%.

Manufacturing is another source of concern. The estimates for growth in GVA for the sector put the pace at 6.7%, weaker than the 6.9% posted in the second quarter and a rapid deceleration from the April-June period's 12.4%. The latest Index of Industrial Production (IIP) figures also give little cause for optimism as manufacturing expansion in December slowed to 2.7%, from 8.7% 12 months earlier. RBI Governor Shaktikanta Das had in fact pointedly cited how "high-frequency and survey-based indicators for the manufacturing and services sectors" suggested a slowdown in the pace of activity, to help justify his vote last month for an interest rate cut to bolster growth. That most of the sectors comprising the broader services basket remain becalmed adds to the sense of disquiet. It remains to be seen if the RBI's reduction in borrowing costs helps check the demand slowdown in the fourth quarter, an improvement in investment activity notwithstanding. Gross fixed capital formation, the key metric for investment demand, expanded by a healthy 10.6%, building on the second quarter's 10.2% increase. Still, with military tensions with Pakistan on the boil, a long campaign for the general election ahead, uncertainties looming on the global trade and growth horizons, and little fiscal leeway to tease back momentum through increased spending, the economy appears headed for a period of uncertainty at least till the next government is in place.

India a high-tariff nation, says Trump

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THE HINDU
BusinessLine

India is a very high-tariff nation, US President Donald Trump alleged on Saturday, stating that he wants a reciprocal tax or at least some kind of tax.

"India is a very high-tariff nation. They charge us a lot," Trump said in his address to the Conservative Political Action Conference (CPAC) in the Maryland suburb of Washington DC.

In his speech that lasted for more than two hours, Trump touched upon a wide range of issues, including domestic, global and bilateral relationship with countries like India.

Referring to his often-cited example of the iconic Harley-Davidson motorcycles, he said, "When we send a motorcycle to India, it's a hundred per cent tariff. They charge 100 per cent when India sends a motorcycle to us, we brilliantly charge them nothing."

"So, I want a reciprocal tax or at least, I want to charge a tax. It's called the mirror tax, but it's reciprocal," Trump asserted.

Early this year, at a White House event to announce his support for reciprocal tax, Trump had said he was satisfied with the Indian decision to reduce the import tariff on Harley-Davidson motorcycles from 100 per cent to 50 per cent. "Even this is not enough, this is okay," he had said.

"Look at motorcycles as an example. (In) India, it was 100 per cent. I got them down to 50 per cent, just by talking for about two minutes. It's still 50 per cent vs 2.4 per cent (on imported motorcycles to the US). Again, other than that, it's a very fair deal," the president had told reporters at the White House on January 24.

On Saturday, he used the Indian example of how other countries were imposing high taxes on American products and now it was time for the US

to impose a reciprocal tax. To prove his point, Trump said, he was using India as an example.

“But India is a very high-tariff nation. And they charge tremendously. So they charge a hundred. So I say, I’m not going to charge you a hundred, but I’m going to charge 25 per cent, and I hear this turmoil in the Senate because we are charging 25 per cent,” he said.

Trump told his supporters that there was resistance to his move from the Senate. “I say, fellows, listen, they are charging us a hundred per cent. For the exact same product, I want to charge them 25 per cent. I feel so foolish charging 25, because it should be a hundred. But I’m doing 25 only because of you. I want to get your support,” he said.

Thereafter, Trump mimicked the response from the lawmakers. “Sir, that’s not free trade. Where did these people come from? Where do they come from? I need your help, I need your help, the voters’ help. Where do they come from?,” he said.

Trump said the US could not allow a country to charge it 100 per cent while it got nothing for the exact same product.

“For one thing, they don’t respect us. They think we’re stupid. They don’t respect us. But let me tell you something, the world respects our country again,” he said.

“America is now booming like never before. Other countries are doing very poorly,” Trump said.

**PSBloansin59minutes.com emerges
largest fintech lending platform;
sanctions Rs 35,000 cr**

PTI New Delhi | March 03, 2019

BusinessLine
THE HINDU

Web portal PSBloansin59minutes.com, launched by Prime Minister Narendra Modi three months ago, has emerged as the country's largest online lending platform, with loan sanctions exceeding over Rs 35,000 crore.

The portal was launched in November to provide credit of up to Rs 1 crore to micro, small and medium enterprises (MSMEs) in just 59 minutes or less than an hour, in a bid to make banking transparent and hassle-free.

The platform, designed under the guidance of Financial Services Secretary, Rajiv Kumar, has reduced the turnaround time from 20-25 days to 59 minutes. Upon approval, the loan is disbursed in 7-8 working days.

The secretary said the automated loan processing system has not only brought in ease, but is also helping in fostering transparency.

It has put an end to discretion at the bankers' end, as in-principle approval of loans does not require human intervention, Kumar said.

"Due to the linking of data points, no one can game the system now. There is no scope for information asymmetry. It will also end the era of giving false information, such as a different income statement to banks and tax authorities," he said.

Since the launch, 1.62 lakh MSME units have been given in-principle approvals, while 1.12 lakh have got a final nod.

Of this, 35,517 units have got new loans worth Rs 10,047 crore, while 77,369 units have received renewal loans of Rs 25,609 crore, according to the latest figures.

MSME units availing of the loans have to submit details such as income-tax returns, GST data and bank statements to avail of credit facility through this portal.

According to a report by global financial firm, Credit Suisse, the recently (November 2018) launched fintech portal, PSBloansin59minutes.com has, within three months, emerged as the largest online lending platform.

The quantum of loan processing through this portal is much larger than the Rs 6,500 crore of cumulative disbursements by two of the largest online SME lending NBFCs over the past three years, it said, adding that the average ticket size (ATS) for new borrowers is Rs 27 lakh and Rs 34 lakh for repeat borrowers.

The report further said SMEs apply for loans using their GST registration as the portal is integrated with GST server at the back-end as well as IT, credit bureaus and banks. It is able to quickly score the applicant on individual models of lenders (currently only PSU banks, but private banks/NBFCs are also signing-up).

Borrowers then select the lender and branch from the banks willing to grant "in-principle" approval. This approval is presented at the branch, and after the documentation process, the sanctioned loan is disbursed.

"While the SME lending market continues to be dominated by offline lenders (largely banks with greater than 80 per cent share), several online models have developed in recent years, which can be broadly classified into lending marketplaces (Bankbazaar, Paisabazaar, Deal4loans, etc) and fintech NBFCs (Capital Float, Lendingkart, etc)," the report said.

Citing an example, the report said, Lendingkart set up in 2014 has disbursed about Rs 1,700 crore since its inception, while Capitalfloat set up in 2013 has disbursed Rs 4,500 crore so far.

SC to take up petitions challenging BoB, Vijaya Bank and Dena Bank merger

[Our Bureau](#) Mumbai | March 03, 2019

THE HINDU
BusinessLine

The Supreme Court has agreed to transfer the writ petitions challenging the constitution of an 'alternative mechanism' for formulating a scheme of

amalgamation between Bank of Baroda, Vijaya Bank and Dena Bank, filed in various High Courts to it.

“The Interim application filed by our organisation has come up for hearing in the Supreme Court of India on March 1 along with other writs also. Upon hearing, the Supreme Court has agreed to transfer all writ petitions together to the Supreme Court, with the directions to all petitioners to file the copies of other original writ petitions before the Supreme Court by March 6, with the respondents to file reply by March 11,” said S Nagarajan, General Secretary, All India Bank Officers' Association (AIBOA).

While AIBOA had filed the writ petition challenging the amalgamation of Dena Bank and Vijaya Bank with Bank of Baroda (BoB) in the Rajasthan High Court, the All India Bank Officers' Confederation (AIBOC) had filed it in the Delhi High Court.

The petitions of the two officers' unions said the scheme of amalgamation is unconstitutional for not following the due process and being in violation of Article 14 of the Constitution, and also for lacking effective consultation with the Reserve Bank of India.

The alternative mechanism had proposed the amalgamation of BoB, Dena Bank and Vijaya Bank to create the second largest public sector bank. The rationale for amalgamation, which is expected to be effective from April 1, is aimed at creating a bank with business scale comparable to global banks and capable of competing effectively in India and globally.



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