



CLARION CALL FROM UNITED FORUM OF BANK UNIONS MASSIVE MORCHA TO PARLIAMENT ON 15TH SEPTEMBER, 2017

- STOP UNWARRANTED BANKING REFORMS
- STOP PRIVATISATION OF PUBLIC SECTOR BANKS
- STOP CONSOLIDATION – START EXPANSION
- STOP WRITE OFFs – START RECOVERY OF BAD LOANS

RBI readies fresh list of defaulters

OUR BUREAU BUSINESSLINE MUMBAI, AUGUST 29:



The companies will be referred to the NCLT if debt issue is not resolved by mid-December

The Reserve Bank of India is ready with a second list of defaulters which will be referred to the the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code. The list is understood to have

named of 35-40 companies which may have defaulted in loan repayments.

In June, the central bank had identified 12 large stressed accounts which collectively owed about Rs 2 lakh crore, accounting for 25 per cent of the bad loans in the Indian banking system. This included Essar Steel, Bhushan Steel, Bhushan Power, Alok Industries, Electrosteel Steels, Monnet Ispat, and ABG Shipyard.

The fresh list also contains companies from the infrastructure and power sectors. According to sources, these companies will be sent to the NCLT if the debt issue is not resolved by mid-December. The list is likely to be formally released in September. Business Line is refraining from naming the defaulters till the official list is sent out to the lenders.

But share prices of Visa Steel, Videocon Industries, and Uttam Galva slipped on the stock exchanges after some TV channels named them as being the potential companies on the new list of defaulters. SEL Manufacturing, Unity Infra, Ruchi Soya and Nagarjuna Oil also saw a decline in share prices.

The IBC is touted as a speedy process for early identification and resolution of financial distress of companies and limited liability entities, if the underlying business is found to be viable.

The Tribunal will act as the adjudicating authority and deal with the cases related to insolvency, liquidation and bankruptcy.

When a firm defaults on its debt, control shifts from the shareholders/promoters to a Committee of Creditors, who have 180 days (which can be extended by a further 90 days with NCLT approval) to evaluate proposals from various players about resuscitating the company or taking it into liquidation.

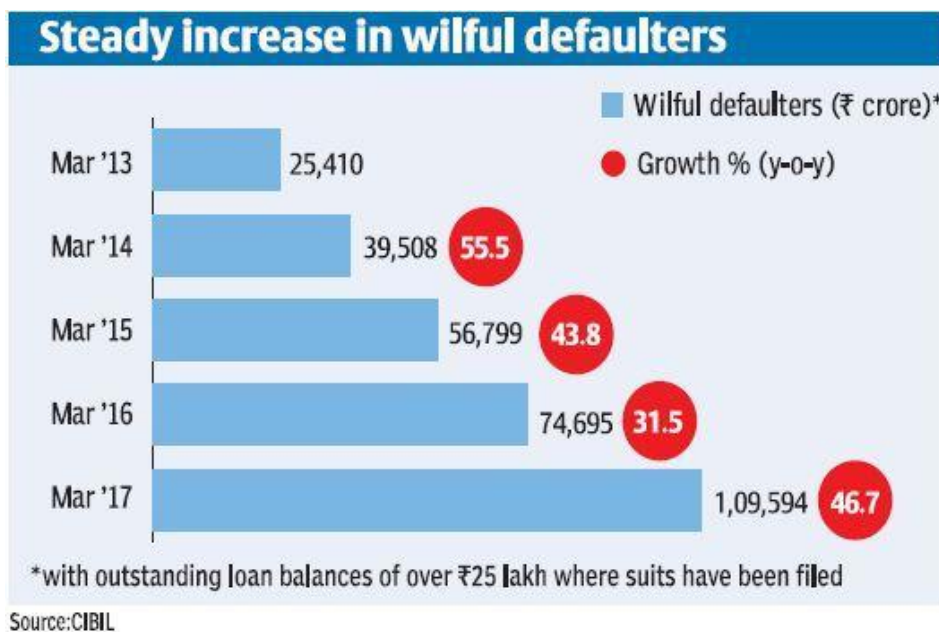
In February, RBI Deputy Governor Viral Acharya had observed that most of the assets remain laden with such high levels of bank debt that their interest-coverage ratio is lower than one; they have little or no capacity to raise funding for working capital and capital expenditure, or to attract private investors to turn them around.

Original promoters — who rarely put in any financing and primarily provide sweat equity — have had somewhat of a field day, facing limited dilution, if any, of their initial stakes nor much of a threat of being outright replaced, he added.

Number of wilful defaulters continues to rise steadily

RADHIKA MERWIN BL RESEARCH BUREAU

August 29, 2017: BUSINESSLINE



Steady increase in wilful defaulters					
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Wilful defaulters (Rs crore)*	25,410	39,508	56,799	74,695	109,594
Growth %YoY		55.5	43.8	31.5	46.7
*with outstanding loan balances of over Rs 25 lakh where suits have been filed					
Source:CIBIL					

This is despite banks' cautious approach and the ongoing clean-up of accounts

Even as the Centre and the RBI have been pushing forth quick resolution of banks' existing stockpile of bad loans, fresh defaults by erring promoters continue to rise. Data put out by the Credit Information Bureau of (India) (CIBIL) shows that wilful defaulters with outstanding loan balances of over Rs. 25 lakh (where suits have been filed) owed banks around Rs. 1,09,594 crore as on March 2017, a jump of 46 per cent over the previous year. A year back, in 2015-16, loans due by wilful defaulters had grown by 31 per cent over the previous year, after increasing by 44 per cent and 55 per cent in 2014-15 and 2013-14 respectively.

The steady rise in wilful defaults despite the RBI tightening the noose around promoters over the past couple of years is worrisome.

What is it?

RBI lays down four scenarios under which a person or company can be declared a wilful defaulter. One, the borrower fails to meet his dues even if he has the ability to pay. Two, the borrower has diverted the money away from the intended purpose. Three, the money is siphoned off and used by the borrower for purposes which are unrelated to his operation. Finally, if the borrower sells off the asset which he bought with the loan taken, without the knowledge of the bank, then too he can be deemed a wilful defaulter.

Banks are required to submit the list of wilful defaulters with outstanding loan balances of over Rs. 25 lakh (where suits have been filed) to credit information companies such as CIBIL.

As of March 2013, wilful defaulters owed banks around Rs. 25,000 crore, which has quadrupled over the past four years to over a lakh crore in 2016-17.

Among the top wilful defaulters as of March 2017 is Kingfisher Airlines, owing SBI about Rs. 1,200 crore, followed by Beta Naphthol that owes Kotak Mahindra Bank about Rs. 1,199 crore. Of the top 10 wilful defaulters, two were borrowers of Kotak Bank, while five were from Vijaya Bank, owing the bank a total of around Rs. 4,800 crore of loans as of March 2017.

Multiple entries

In many cases, borrowers have defaulted across banks. For instance, aside from Kingfisher Airlines, Zoom Developers, is also named a wilful defaulter by multiple lenders —Corporation Bank, Andhra Bank, Dena Bank, Bank of Baroda, PNB, Federal Bank etc. Zylog Systems, Winsome Diamonds, ABC Cotspin and REI Agro are some of the other defaulters who have been declared wilful defaulters by multiple banks.

Private lenders too

While a chunk of the large defaulter accounts pertain to public sector banks, private banks too appear to be grappling with such freeloaders. Deccan Chronicle Holdings, Shree Ganesh Jewellery, REI Agro owe Axis

Bank a few hundred crores, and Kemrock Industries and Geodesic, named wilful defaulters by ICICI Bank, are examples. HDFC Bank that boasts of one of the lowest delinquency rates within the sector, also appears to be dealing with some one-off cases. Indian Technomac Company, Shree Minal Oil & Agro, Gee Ispat and Sri Mappillai Vinayagar Spg. Mills are some borrowers that have been declared wilful defaulters by the private lender

PSBs take recovery action against 5,954 wilful defaulters



NEW DELHI, AUG 27: PTI/BUSINESSLINE

Public sector banks have taken loan recovery action under Sarfaesi law against 5,954 wilful defaulters owing about Rs 70,000 crore to the lenders.

At the end of March 31, 2017, 21 banks together have taken action against 5,954 wilful defaulter under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Sarfaesi) Act, as per data collated by the Finance Ministry.

The country's largest lender SBI has taken action against 1,444 such defaulters with outstanding loan of Rs 20,943 crore.

Remaining 20 banks have taken action against 4,510 wilful defaulters with outstanding loan of Rs 48,496 crore.

Total outstanding loans due to public sector banks by wilful defaulters amounted to Rs 92,376 crore, according to the finance ministry data.

The total outstanding loans by wilful defaulters rose to Rs 92,376 crore at the end of financial year 2016-17, from Rs 76,685 crore at the end of fiscal 2015-16 — up 20.4 per cent.

At the same time, there has been close to 10 per cent increase in the number of wilful defaulters on annual basis.

It increased to 8,915 at the end of March as against 8,167 in the previous fiscal.

Out of 8,915 cases of wilful defaults, banks have filed FIR (first information report) in 1,914 cases with outstanding loans of Rs 32,484 crore.

During 2016-17, 27 public sector banks, including SBI and its five associates, had written off Rs 81,683 crore, the highest in the last five fiscals. The amount was 41 per cent higher than that in the previous fiscal.

Gross NPAs of the public sector banks rose to Rs 6.41 lakh crore at the end of March 2017 as against Rs 5.02 lakh crore a year ago.

In order to check incidences of wilful default, RBI has tightened the norms and made it clear that promoter of the defaulting company cannot escape from his responsibility even if he is not a whole-time director.

As per earlier guidelines, a bank couldn't label a non-whole-time director of a company as a wilful defaulter unless there was conclusive evidence that the individual was aware of the wilful default by the company and had not objected to it.

A wilful default occurs when a borrower does not honour an obligation despite having the capacity to pay or siphons off funds by disposing of assets without the knowledge of the bank, according to RBI.

RBI has allowed banks to name and shame wilful defaulters by publishing their photographs.

SBI led consortium to sell 51% stake in Odisha power plant

PTI
NEW DELHI, AUGUST 28, 2017
THE HINDU

A consortium of lenders led by the State Bank of India (SBI) has invited bids to sell 51% stake in Jindal India Thermal Power Ltd (JITPL) located in Odisha. JITPL, a B.C Jindal group company, was formed in 2001 as a special purpose vehicle for development of a coal-based thermal plant located in Odisha's Angul district.

As on June 30, 2017, the consortium of 17 lenders had a total loan exposure of Rs.5,902.43 crore in JITPL, as per the bid document. SBI has the highest exposure of Rs.1,413.89 crore (23.95% of the total loan amount), followed by Punjab National Bank Rs.985.38 crore (16.69%); Axis Bank Rs.584.89 crore (9.91%); ICICI Bank Rs 406.05 crore (6.88%) and Bank of Baroda Rs 337.01 crore (5.71%).

UCO Bank has loan exposure of Rs.295.45 crore (5.01%); Union Bank of India Rs 289.67 crore (4.91%) and United Bank of India Rs.278.28 crore (4.71%).

The remaining lenders - LIC, Allahabad Bank, Andhra Bank, Dena Bank, Canara Bank, Punjab & Sind Bank, Indian Bank, Vijaya Bank and Indian Overseas Bank - have lending stake in range of 3.96% to 1.35% in the company.

"Security Trustee to the lenders holds 51% equity shares of JITPL on behalf of the lenders of the company. The lenders now propose to sell these shares along with management control in JITPL," according to the bid document inviting expression of interest for the stake sale.

Further, it said the transaction related to stake sale is proposed by way of bidding process and "the debt on balance sheet of JITPL may be refinanced based on discussion/proposal submitted by prospective investors". The consortium of lenders have engaged SBI Capital to find a new promoter.

The 1,200 mega watt coal based thermal power plant built at a total cost of Rs.7,061 crore or Rs.5.88 crore per megawatt has been set up in two phases of 600 MW each. Phase I & II of the power project were commissioned in 2014-15. The project has been funded at a debt to equity ratio of 75:25.

On the fuel arrangement, the company has linkage from Coal India to supply over 2.687 MMTPA fuel on long term power purchase agreement (PPA) for 600 MW, and the balance coal is being procured through e-auction and special forward e-auction from Talcher mines in Odisha.

The company had registered a net loss of Rs.310.21 crore for the nine months from the December of 2016-17, as per the bid document.

In 2015-16, the net losses were Rs.262.60 crore and in 2014-15, the company had registered a net loss of Rs.23.83 crore. However, in 2013-14, there was a net profit of Rs.5.65 crore on the books of the company.

Govt notifies changes in Banking Regulation Act

PTI NEW DELHI, AUG 27 BUSINESSLINE

The government has notified the Banking Regulation (Amendment) Act under which it can authorise the RBI to issue directions to banks to initiate insolvency resolution process to recover bad loans.

The banking sector is saddled with non-performing assets (NPAs) of over Rs. 8 lakh crore, of which Rs. 6 lakh crore is with public sector banks (PSBs).

Earlier this month, Parliament had approved the Act, which replaced an ordinance in this regard.

The government in May had promulgated an ordinance authorising the Reserve Bank of India (RBI) to issue directions to banks to initiate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016.

Following the ordinance, the RBI had identified **12 accounts each having more than Rs. 5,000 crore of outstanding loans and accounting for 25 per cent of total NPAs of banks** for immediate referral for resolution under the bankruptcy law.

The loan defaulters identified by the RBI include, Essar Steel, Bhushan Steel, ABG Shipyard, Electrosteel and Alok Industries.

Under the Banking Regulation (Amendment) Act, 2017, the RBI can issue directions to banks for resolution of stressed assets.

The RBI can specify authorities or committees to advise banks on resolution of stressed assets. The members on the committees will be appointed or approved by the RBI.

The bulk of the NPAs are in sectors such as power, steel, road infrastructure and textiles.

Wage talks: IBA, staff unions agree to disagree on most outstanding issues

VINSON KURIAN THIRUVANANTHAPURAM,
BUSINESSLINE AUG 29,2017

Indian Banks' Association (IBA) and staff unions have failed to find common ground on most of the outstanding issues in a warm-up session ahead of the 11th bipartite settlement talks.

A sub-committee of the IBA negotiating committee had held a round of talks with the unions (AIBEA, NCBE, BEFI, INBEF and NOBW) in Mumbai on August 23.

'Cost-to-company'

IBA was represented by Rakesh Sharma, MD & CEO, Canara Bank, who is the Chairman of the sub-committee, while all five unions were represented on the other side.

IBA held out its case for introduction of the 'cost-to-company' concept and alluded to the need for fixed-cum-variable pay and performance-related wages to recognise efficiency and performance. It suggested that the new

system can be made to apply for future employees with an option extended to existing employees.

But the unions raised apprehensions and submitted that discussions should instead focus on further improvement in efficiency of the workforce as a whole and how to incentivise it.

When it came to the proposal for further rationalisation of special pay posts, the unions expressed their willingness to discuss any concrete proposal in this regard. But they reiterated the demand that the existing duties and powers need to be revised with a suitable increase in the quantum of special pay.

Minimum qualification

The minimum qualification for recruitment of clerical staff in banks made for an important topic for discussion.

IBA's case was since the minimum qualification set now is graduation, the additional two increments given under this head should be discontinued. But the unions said this was not acceptable since there was a need to peg back the minimum qualification to 12th standard.

IBA also wanted to amend the disciplinary action provisions to provide for simultaneous criminal proceedings as well as departmental proceedings. The unions rejected it since they apprehended that the proposed amendment would go against the interest of employees.

Premature retirement

The unions did not also agree with the proposal for a provision to provide for premature retirement of employees in public interest any time on completion of 55 years of age or 30 years of service.

They shot down another suggestion that the ensuing 11th bipartite settlement contain a provision for outsourcing as per the Reserve Bank guidelines.

But they agreed on the need for meaningful discussions over grant of stagnation increment uniformly at an interval of two years after reaching the maximum; change in DA scheme based on 2001=100 Index series;

improvement in sick leave; grant of maternity leave in combination with other leave; paternity leave to cover child adoption; and LFC entitlement.

Other demands including additional load on wage revision, revised pay scales and allowances, revised DA formula and HRA rates could be discussed at the full negotiating committee since these are common to both employees and officers.

The next round of meeting of the sub-committee will be held on September 6.

CPI Congratulates Bank Employees

The central secretariat of the Communist Party of India issued the following statement on August 22, 2017 congratulating the bank employees and their unions on their one-day successful strike:

The Communist Party of India congratulates the bank employees and their unions for observing a successful one-day all India strike on August 22, 2017. The United Forum of Bank Unions has been demanding among others, provision of adequate capital to public sector banks. The Union government with an eye on privatising the PSU banks has been refusing to provide capital.

The central secretariat while condemning the government stand, extends party's full support to the 17-point charter of demands. The party also feels that at a time when our country needs more and more banking facilities, the government is going ahead with its policy of amalgamation. All these seem to be aimed at helping the wilful defaulters of huge bank loans as is now becoming clear as the SBI has the maximum number and quantum of NPAs. All these loans were released before SBI's merger with its subsidiaries.

India facing problem of severe under-employment, says Niti Aayog

PTI
NEW DELHI, AUGUST 27, 2017
THE HINDU

Making a case for promoting highly productive and well paid jobs, Niti Aayog has said that not unemployment but a "severe under-employment" is the main problem facing the country.

The government think-tank in its three-year action plan, released last week, has said that a focus on the domestic market through an import-substitution strategy would give rise to a group of relatively small firms behind a high wall of protection.

"Contrary to some assertions that India's growth has been 'jobless', the Employment Unemployment Surveys (EUS) of the National Sample Survey Office (NSSO) has consistently reported low and stable rates of unemployment over more than three decades.

"Indeed, unemployment is the lesser of India's problems. The more serious problem, instead, is severe underemployment," the Aayog said in the Three-Year Action Agenda for 2017-18 to 2019-20.

"What is needed is the creation of high-productivity, high-wage jobs," it said further.

Citing examples of top manufacturing countries like South Korea, Taiwan, Singapore and China, it said, "The 'Make in India' campaign needs to succeed by manufacturing for global markets."

Noting that with Chinese wages rising due to an ageing workforce and many large-scale firms in labour-intensive sectors currently manufacturing in that country are looking for lower-wage locations, the Aayog said, "with its large workforce and competitive wages, India would be a natural home for these firms."

"Therefore, the time for adopting a manufactures- and exports-based strategy could not be more opportune," it added.

The Aayog in its 'Three Year Action Agenda' also recommended for the creation of a handful of Coastal Employment Zones (CEZ), which may attract multinational firms in labour-intensive sectors from China to India.

"The presence of these firms will give rise to an ecosystem in which local small and medium firms will also be induced to become highly productive

thereby multiplying the number of well-paid jobs,” it observed. Making a case for reforming labour laws, the Niti Aayog also noted that recently fixed-term employment has been introduced in the textiles and apparel industry.

“This option may be extended to all sectors. The change will encourage employers to rely on regular fixed-term employment instead of contract workers, especially when hiring workers for specific projects or for meeting seasonal demand,” it said.

Besides, the Aayog pointed out that unifying the existing large number of labour laws into four codes without reform of the laws themselves will serve little purpose.

“Unless we bring about substantive change either by amending the existing laws or rewriting them afresh, we cannot expect to change the current situation where low-productivity and low-wage jobs dominate the landscape” it observed.

AIBEA THIS DAY – 25 AUGUST

1998	United Forum of RRB Unions starts 3 days’ relay hunger strike on wage parity.
2007	SBI announces merger of State Bank of Saurashtra
2008	3rd Tarakeswar memorial lecture at Chennai Prof. M S Swaminathan

AIBEA THIS DAY – 26 AUGUST

1968	AIBEA Central Committee meets at Varanasi.
1998	Struggle in Regional Rural Banks continues.
2008	AIBEA central Committee meeting at Chennai

AIBEA THIS DAY – 27 AUGUST

1995	All India Protest Programmes and Dharna on Pension implementation demand.
1997	Chartered Bank Employees observe strike against deunionisation programmes of the Management.

AIBEA THIS DAY – 28 AUGUST

1928	Com. P N Tiwari, Senior Vice President, AIBEA (date of birth)
1939	Com. Shankar Joshi, Former President, Maharashtra State Bank Employees' Federation (date of birth)
1977	Com. V Ramani, former General Secretary, Indian Bank Employees and C.C. Member AIBEA passes away
1997	UFBU launches two days' strike action on opposition to Local Area Banks, Pension in Private Banks, Demands of the RRB employees, removal of ban on recruitment etc.
1999	Com. W G Deshpande, former President, All India UCO Bank Employees Federation and former Vice President, Maharashtra State Bank Employees' Federation passes away.

AIBEA THIS DAY – 29 AUGUST

1964	Second Bipartite talks. Preliminary agreement on some issues reached.
1972	Com. A S R Chari, eminent Labour Lawyer and a great friend of AIBEA passes away.
1977	Two hours strike in pursuit of 3rd bipartite demands.
1991	General Council at Indore.

AIBEA THIS DAY – 30 AUGUST

1954	Central Cabinet modifies LAT Award.
1974	All India Protest Day against Compulsory Deposit Scheme.
1980	AIBEA Central Committee meets at Delhi.
1995	Wage Demand – All India Strike by 4 Unions including AIBOA/AIBEA.
1997	Another protest action on 3 rd bipartite demands.



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