



## **CBI registers FIR in ICICI Bank-Videocon loan case**

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**Alleged anomalies in dealings between bank, Videocon and NuPower Renewables, a company promoted by former ICICI MD and CEO Chanda Kochhar's husband Deepak, in 2010.**

The Central Bureau of Investigation (CBI) has booked Chanda Kochhar, the then managing director and chief executive officer of ICICI Bank, along with her husband Deepak Kochhar, Videocon Group head Venugopal Dhoot and others for sanction of credit facilities to the tune of Rs 1,730 crore allegedly in violation of rules. As an alleged quid pro quo, Deepak Kochhar's company received Rs 64 crore.

The CBI's FIR, registered under the Prevention of Corruption Act, was based on a Preliminary Inquiry (PI) initiated by the agency in December 2017, which traces the sanctioning of the loans amounting to about ₹3,250 crore to various companies of the Videocon Group promoted by Mr. Dhoot in violation of the Reserve Bank of India guidelines and the

bank's credit policy and the alleged illegal gratification paid by Videocon group to companies owned by Mr Kochchar.

According to CBI officers, six high value loans were sanctioned to various companies under the Videocon group from June 2009 to October 2011.

"In August 2009, a Term Loan of ₹300 crore was sanctioned to Videocon International Electronic Ltd in contravention of the rules and policy by the sanctioning committee. Ms. Kochchar was part of this committee. Inquiries have revealed that the loan was disbursed on September 7, 2009 and on the very next day, Mr. Dhoot transferred ₹64 crore to M/s New Power Renewables (NRL) Ltd, managed by Mr. Kochchar. This was the first major capital received by NRL to acquire its first power plant," a CBI officer said.

The officer added that five other loans, collectively amounting to Rs 1,575 crore were sanctioned to various companies of the Videocon group, including loans granted for refinancing the existing loans of the company, in violation of the credit policy of the bank.

Among those named in the FIR are Mr. Kochhar's company NRL, Videocon International Electronics Limited (VIEL), Videocon Industries Limited (VIL) and SEPL.

The role of K.V. Kamath, currently the bank's non-executive chairman, Sandeep Bakshi, who replaced Ms. Kochhar, K. Ramkumar, Sonjoy Chatterjee, N.S. Kannan, Zarin Daruwala, Rajiv Sabharwal and Homi Khusrookhan may also be investigated, the agency said. These officials were members in several committees that sanctioned Rs 1,575 crore in loans on various dates.

The CBI conducted searches at four locations in Mumbai and Aurangabad, including the offices of Videocon Group, Nupower Renewables Limited (NRL) and Supreme Energy Private Limited (SEPL).

According to the FIR, NRL was incorporated in December 2008 and Mr. Kochhar, Mr. Dhoot and one Saurabh Dhoot were its directors. The Dhoots resigned in January 2009. However, before doing so, the Videocon

Group chief allotted over 19.9 lakh warrants valued at Rs10 per unit, to Mr. Kochhar on an initial payment of Rs 1 per warrant.

## **Shares transferred**

In June 2009, the NRL shares held by Mr. Dhoot and the Deepak Kochhar group were transferred to SEPL, which finally became 95% shareholder of NRL.

The agency said SEPL was set up in July 2008 by Mr. Dhoot and his associate Vasant Kakade. Mr. Dhoot resigned as a director in January 2009 and transferred the company's control to Mr. Kochhar by offloading his shares in favour of Pinnacle Energy Trust.

The bank also sanctioned loans to Videocon Group companies, the agency said. While Rs 750 crore was given to VIL, Rs 300 crore went to Applicomp India, Rs 240 crore to Sky Appliances, Rs 175 crore to Millennium Appliances and Rs 110 crore was sanctioned to Techno Electronics. Loans to Sky Appliances and Applicomp India were for repayment of the unsecured loan taken from Videocon Industries. A loan was also sanctioned to Videocon Industries for refinancing its existing loans.

The bank released the security available in the form of fixed-deposit for Rs 50 crore in the accounts of Sky Appliances and Techno Electronics "without any justification".

The credit limits in question were sanctioned after Ms. Kochhar took charge of ICICI Bank as MD & CEO in May 2009. She was a committee member that sanctioned a loan of Rs 750 crore to VIL and Rs 300 crore to VIEL, the CBI alleged.

## **Declared NPAs**

As on April 26, 2012, the outstanding against six loan accounts were adjusted as another term loan of ₹1,730 crore sanctioned under refinance of domestic debt. The account of VIL and its group companies were declared non-performing assets in June 2017.

Meanwhile, shares of Videocon Industries fell 2.29% at Rs 2.86 in a firm Mumbai market on Thursday, valuing the company at Rs 95.66 crore. The exchange has sought clarification from the company about the CBI registering an FIR and the reply is awaited.

## Staff fret as banks ask them to buy shares

MANOJIT SAHA

MUMBAI, JANUARY 25, 2019 THE HINDU

“In the same breath as a trade union, we are opposed of sale of bank capital to employees,” he added. We have been opposing sale of banks’ shares to private hands C.H. Venkatachalam, general secretary, AIBEA



## Employees also told to open demat accounts, offered personal loans to purchase stock

Several public sector banks that are coming up with Employees Share Purchase Schemes (ESPS) are asking their staff to buy a particular amount of shares to ensure that the process sails through smoothly.

Over half a dozen public sector banks have started the process of employee share purchase schemes, while some others have completed it.

Some of the banks that have announced or completed the process are Indian Overseas Bank, Bank of Maharashtra, Union Bank of India, Syndicate Bank, Vijaya Bank, Bank of India, UCO Bank, Andhra Bank among others.

### **Informal communication**

Employees of some of these banks whom The Hindu spoke to said there had been a mandate to buy the shares. They, however, added that there was no formal communication in this regard.

According to an employee of a mid-sized public sector bank (PSB), those above a certain rank had been asked to buy 10,000 shares. Similarly, a large PSB had asked its clerical staff to buy about 1,000 shares, while higher rank employees had been asked to buy 10,000 shares.

Last year, when another large PSB came up with such a scheme, its general managers were asked to buy 7,000 shares each. To ensure they participate in the scheme, all these banks have asked their employees to open demat accounts. "We have been instructed to open demat accounts. While the management has not specified the reason for such an order, we all know this is because the bank is coming out with an ESPS scheme," said an employee of another public sector bank. Some of the banks have also extended personal loans to their employees to buy the shares.

"We understand that banks are forcing staff members to open Demat Accounts, expressing intention to issue shares to all the staff members under Employee Share Purchase Scheme," said Devidas Tuljapurkar, general secretary, All India Bank of Maharashtra Employees Federation.

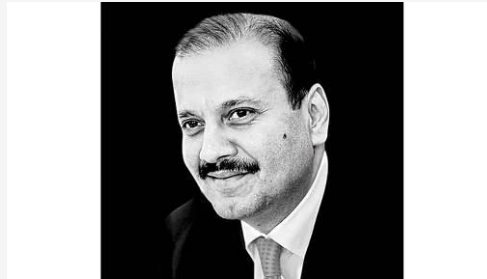
In March 2017, the government had allowed public sector banks to offer stock options to their employees, which was mainly aimed at retaining experienced hands and better incentives, apart from raising capital.

Trade unions have opposed the sale of shares to the employees.

"Recently some of the public sector nationalised banks have come out with the decision to augment their capital through sale of shares to employees. As part of our decision to oppose all methods of privatising the capital of nationalised banks, we have been opposing sale of banks' shares to private hands, both corporate and individual," said C.H. Venkatachalam, general secretary, All India Bank Employees' Association.

# PNB stops Braj Binani promoter from flying out of country

**DNA** 25 1 2019



Punjab National Bank (PNB) has stopped Braj Binani, the promoter of Binani Industries, from flying to London by issuing a lookout notice under the new powers given to banks to prevent defaulters from fleeing the country.

The notice was issued by the bank chairman Sunil Mehta, and was flashed to all the airports. Binani was stopped at the Mumbai airport by immigration officials when he was about to board a chartered flight to London on January 23.

The lookout notice against Braj Binani was issued after he failed to turn up at the Kolkata Bench of the National Company Law Tribunal (NCLT) on January 20. Binani Industries had stood guarantor for a Rs 300 crore loan taken by its subsidiary Edayar Zinc (earlier Binani Cement), but failed to repay.

The lookout notice was handed over to the Bureau of Immigration in Delhi, which then flashed it at all airports.

"Binani was to fly to London in a chartered flight on January 24, but he advanced his travel to June 23 when he was intercepted by the immigration officials, who refused to allow him to fly out of the country. He later requested to fly to Jaipur which was allowed. The proactive step taken by the bank helped to intercept him on time," said an official who is monitoring the case.

The government in 2018 had empowered chief executive officers of public sector banks (PSBs) to issue lookout circulars (LOCs) against suspects before waiting for the enforcement agencies to file FIRs against them.

This was necessitated after Nirav Modi fled the country after perpetuating over Rs 13,000 crore scam on PNB.

The bank had dragged Edayar Zinc to NCLT after it failed to repay loans of Rs 300 crore it owed to three public sector banks, led by PNB. Oriental Bank of Commerce and Punjab and Sind Bank are the other lenders in the consortium.

On January 22, a hearing was scheduled at the Kolkata Bench of the NCLT, but no one from the corporate debtor turned up. The next date of the hearing for the case is March 14. PNB, the financial creditor to Edayar Zinc, filed the insolvency petition against Binani Industries as the liability of the corporate guarantor is linked to the principal debtor under Section 128 of the Indian Contract Act.

PNB also had exposure to Binani Cement, which it sold to an asset reconstruction company (ARC). Binani Cement was taken to the NCLT by Edelweiss ARC. After a prolonged legal battle between UltraTech and Dalmia Bharat's Rajputana Properties, the company was finally sold to UltraTech which improved its price by outbidding Dalmia outside the Insolvency and Bankruptcy 2016 process.

Punjab National Bank and Oriental Bank of Commerce had declared their exposure to Edayar Zinc as NPA (non-performing asset) with effect from June 30, 2014, and in the case of Punjab & Sind Bank it was with effect from September 30,

## **UK court dismisses PNB claim in \$45-m loan case**

Vidya Ram Updated on January 24, 2019



The bank had alleged the “fraudulent misrepresentation by the defendants”, related to “numerous loans”,

The bank alleged it was ‘misled’ into advancing the money to fund energy projects in the US

A London court has dismissed a claim, brought by a subsidiary of Punjab National Bank (PNB) in the United Kingdom (UK) against United States (US)- and India-based defendants, which related to their role in \$45-million loans issued to oil-refining and wind energy general projects in the US. The judgment was critical on the bank’s failure to bring its attention, in particular, to separate claims being pursued in the US and India.

The claims had been made against nine defendants, including three individuals and six companies, and related to loans disbursed by Punjab National Bank (International Ltd) between 2011 and 2014.

#### Fraudulent misrepresentation

The bank had alleged the “fraudulent misrepresentation by the defendants”, related to “numerous loans”, alleging it was misled into advancing the money, and that a breach of contract followed, whereby the funds were allegedly siphoned off and used for purposes that were not part of the terms of the loan.

“Between 2011 and 2014, the claimants made a series of loans for the purpose of financing to projects. The said loans were drawn down in their entirety and have now fallen due and are owing. The principals alone total \$36 million,” according to court documents submitted by the claimants.

While all but one of the defendants had been based in India (the last was based in the US) and the loans related to US projects because they were disbursed out of London, it had originally been deemed a suitable jurisdiction for the case.

However, claims have also been made in the US and Chennai, and Chief Master Matthew Marsh, in his judgment, was highly critical of the lack of transparency from the bank when it came to these claims, which, he said,



meant that they could not demonstrate the UK was the appropriate forum, particularly given the “weakness of the claim in deceit and for misrepresentation”.

“The failure to draw to the attention of the court the existence of the foreign claims was a serious breach of the claimant’s duty to the court,” he remarked in the judgment.

Zaiwalla and Co, which represented eight of the defendants, welcomed the dismissal of the case at an early stage, but said the judgment raised serious questions about the way the bank’s claim had been pursued.

“The decision serves as a reminder that serious allegations of fraud have to be supported by cogent facts and evidence: speculative claims will not be permitted to proceed to trial.” PNB’s legal team is yet to respond.

The loans at issue were made to South Carolina-based Southeastern Petroleum LLC (not one of the parties in the claim), Virginia-based Pesco Beam Environmental Solutions Inc, and Delaware-based Trishe Wind Energy Inc.

## **Ravneet Gill is new Yes Bank MD and CEO**

Surabhi Updated on January 24, 2019

Yes Bank Q3 net profits down 7%

Private sector lender Yes Bank on Thursday announced the appointment of Ravneet Gill as its new Managing Director (MD) and Chief Executive Officer (CEO) with effect from March 1, 2019.

Gill, who will be taking the reins from the lender’s founder MD and CEO Rana Kapoor, is the CEO of Deutsche Bank’s India operations.

"The Bank has received RBI approval for its new MD and CEO, Mr. Ravneet Singh Gill for him to join on or before March 1, 2019. The Board will convene on January 29, 2019 to finalise the interim transition," Yes Bank said in a release.

Kapoor is set to step down after January 31, 2019.

Meanwhile, the private sector lender also registered a 6.9 per cent drop in its net profits for the third quarter of the fiscal at Rs 1,001.85 crore due to high provisions. Its net profits stood at Rs 1,076.87 crore in the same period a year ago.

The bank's net interest income grew 41.2 per cent to Rs 2,666.4 crore in the third quarter this year, compared to a year ago while the net interest margin was stable at 3.3 per cent.

However, provisions rose to Rs 550.23 crore in the quarter ended December 31, 2018 compared to Rs 421.32 crore in the same period a year ago.

Yes Bank also has an outstanding funded exposure of Rs 2529.73 crore as on December 31, 2018 to various SPVs of IL&FS, though it did not name it specifically.

Of this exposure, it has classified Rs 1913 crore of advances as non performing assets with a specific provision of Rs 478.25 crore.

Accordingly, its gross non-performing assets (NPAs) rose to 2.1 per cent of gross assets as on December 31, 2018 from 1.72 per cent a year ago. Net NPAs also rose to 1.18 per cent of net advances as on December 31, 2018.

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