AIRRBOF News Letter
November, 2017
The Voice of All India RRB Officers' Federation
Sky is not the limit, we cover it...
Vol - XXIV SILIGURI No. 11

EDITORIAL

NEW SKELETONS

In the last two years, public sector banks have come in for scathing criticism after RBI's Asset Quality Review revealed large-scale ever-greening of loans and excessive exposures to debt-heavy members of India Inc. Now it transpires that private sector banks have been guilty of similar practices, albeit to a lesser degree. Over the last few quarters, as the AQR-related surprises have abated, PSBs have been able to report lower net NPA accretions. But private banks have shocked the markets with manifold jumps in their bad loans. New skeletons have come tumbling out of private lenders' closets after RBI's annual risk-based supervision exercise unearthed significant under-reporting of bad loans in their books over FY16 and FY17.

The numbers are not small and result in significantly higher bad loan ratios and provisions for these banks. For instance, Axis Bank has so far reported NPA 'divergence' (euphemism for under-reporting) of Rs. 4,867 crore for FY17 and Rs. 9,478 crore for FY16. Yes Bank has disclosed a difference of Rs. 6,355 crore for FY17 and Rs. 4,176 crore for the previous year and ICICI Bank admitted to an anomaly of Rs. 5,100 crore in FY16. True, even after accounting for the revised numbers, the financials of these private banks in terms of gross NPAs, growth and profits, present a far better picture than for some PSBs. But then, the 'divergence' saga of private banks raises prickly questions about their lending and accounting practices, which need answering. For one, given that RBI's definition of what constitutes a standard asset or an NPA is quite clear, what was the accounting ambiguity that allowed the treatment of bad loans as prime assets? And how did this slip under the radar of the banks' statutory auditors? Two, given that the bulk of these NPAs pertain to legacy loans, why were they not evident during the AQR exercise? If private banks are guilty of ever-greening, then are their credit appraisal and risk control systems any better than those of PSBs? Three, investors have all along believed that the bad loan problems of PSBs are owed in large part to political interference and the lack of accountability of their top managers on lending decisions. But given that private banks are not subject to any such interference and are professionally managed, what explains their risky exposures? In fact, in light of the yawning pay gaps between the top managers of private sector banks and PSBs, it now needs to be assessed if the compensation packages at the former unduly incentivise short-term results.

The realisation that corporate defaults are a pervasive and recurring feature of project lending in India also calls for detailed investigation. Knowing what proportion of the NPA stockpile was created by the economic downturn, by corporate miscalculation and through sheer misgovernance is critical to finding fool-proof solutions for the future. Therefore, apart from focussing on NPA resolution, the RBI and the Centre must initiate a forensic investigation into the root causes of this NPA imbroglio.

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ENRICH YOUR KNOWLEDGE

MATERNITY BENEFIT (AMENDMENT) ACT, 2017 – CLARIFICATION

Govt. of India Ministry of Labour & Employment Shram Shakti Bhawan, Rafi Marg, New Delhi, April 12,2017

The Labour Department, All States/ Union Territories

Sub.: The Maternity Benefit (Amendment) Act, 2017 Reg.

Sir/Madam,

In line with recommendations of the 44th, 45th and 46th Session of Indian Labour Conference (ILC) and demands from various quarters, the Government has recently enacted the Maternity Benefit (Amendment) Act, 2017. Through this Amendment Act. following provisions have been added to the Maternity Benefit Act, 1961:—

- Increase in the maternity leave from existing 12 to 26 weeks for working women with less than two surviving children.
- Provisions for work from home for nursing mothers.
- Mandatory provisions for establishments having fifty or more employees to have the facility of creche.
- Extension of twelve weeks of maternity benefit to the 'commissioning mother' and the 'adopting mother ' from the date the child is handed over.

Provisions of the Amendment Act have come into force w.e.f. 1st April, 2017, except those relating to creche facility [Section 4(1)] which would come into force from 1.7.2017.

2. After the enactment of the said Act, the Ministry has been receiving numerous queries relating the revised provisions of the Act. The Ministry has examined such Queries in consultation with Chief Labour Commissioner (Central) and the same are clarified as below:—

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Sl. No.	Query	Clarification
	Applicability of the Act to contractual or consultant women employees.	Since there is no amendment in section 2 of the Act, hence the original provision will prevail. The Act is applicable to all women who are employed in any capacity directly or through any agency i.e..either on contractual or as consultant.
	Whether enhanced maternity benefit, as modified by the Maternity Benefit (Amendment) Bill 2016 can be extended to women who are already under maternity leave at the time of enforcement of this Amendment Act?	Yes
	Whether enhanced maternity benefit can be extended to those women who have joined after availing 12 weeks of the maternity leave?	Those women employees who had already availed 12 weeks of maternity leave before enforcement of the Maternity Benefit (Amendment) Act, 2017 i.e., 1st April, 2017, shall not be entitled to avail the extended benefit of the 26 weeks leave.
	Protection of women in case she is fired by the employer after learning her pregnancy?	Under section 12 of the M B. Act, 1961 it is emphasized that any dismissal or discharge of a woman during the pregnancy is unlawful and such employer can be punished under section 21 of the Act
	Whether benefits of this Act can be extended to the employed women in the unorganized Sector?	The Maternity Benefit Act is applicable to all mines, plantations, shops and establishments and factories. Mines, plantations, shop and establishments could be either in organized sector or unorganized sector. Also, clarification at SI No.1 may be seen.

Courtesy – Labour Research, July – August, 2017

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 71:2017 6th October 2017

VISIT TO STATE OF ODISHA

The state of Odisha has two RRBs, viz., Odisha Gramya Bank and Utkal Gramin Bank sponsored by Indian Overseas Bank and State Bank of India. AIRRBOF do have strong affiliates in both the RRBs. On being requested to undertake extensive tour to the branches and hold Meeting of members, General Secretary undertook visits. He met members working at Branches, discussed their issues and shared latest developments. He also addressed Members Meeting at different centres.

It is expected that the visit would boost membership development process and make the members aware of the developments. It is planned that before the Triennial Conference slated to be held in February 2018, extensive visit to Kerala shall be undertaken to have our organisational base in the state.

Circular # 72:2017 17th October 2017

XII GLOBAL LABOUR UNIVERSITY CONFERENCE, 4 - 6 OCT. 2017, NEW DELHI

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 55 dated 8th October 2017.

"The 12th Annual conference of Global Labour University (GLU) a conglomeration of universities, trade unions, NGOs and the International Labour Organisation was held at JNU campus, New Delhi from 4th to 6th of October, 2017. The theme of the conference was *"Reincarnation or Death of Neoliberalism?* The rise of market authoritarianism and its challenges for labour". It is a new approach to increase the intellectual and strategic capacity of the workers' organizations and to establish stronger working relationships among the Trade Unions, the ILO and the community. We are extremely fortunate that The host cum organizer i.e. JNU has been kind enough to allot 30 seats to our confederation so that we could attend the conference and enrich our knowledge and understanding on the subject.

Our comrades from Delhi, Chennai, Bengal and Northeast attended the GLU Conference and it has been of immense help as far as the expansion of our horizon is concerned. The conference kick-started with the opening session on 4th Oct'2017 at the JNU Convention Centre, New Delhi. Dignitaries from all across the Globe participated in the programme to make it a mega event. Prof. Archana Prasad of JNU addressed the gathering with her welcome speech to mark the beginning of the event which was followed by a keynote address by Prof. Prabhat Patnaik of JNU. The house was also addressed by Michelle Williams, the interim President of GLU and other dignitaries. The conference consisted of different panel discussions on various topics ranging from building movements against neoliberalism, global supply chains, changing technology and the world of work, socially and economically just alternatives, strategies against neoliberalism, etc. A good number of research papers have also been presented by different research Scholars and Professors from different parts of the Globe. The highlight of the conference in our context was a session exclusively based on "Save Public Sector." The said session was conducted by the undersigned, Shri Alok Roy, All India General Secretary of Public Sector Oil Companies and Dr. Christoph Scherrer from Germany who is also the representative of ICDD.

The concluding day of the conference i.e. 6th Oct'2017 also happened to be the formation day of All India Bank Officers' Confederation and hence a dedicated session was there to commemorate the contribution of Comrade R N Godbole in the Banking Officers movement in India. Mr. Frank Hoffer, Former Internal Coordinator of GLU also delivered the Godbole Memorial Lecture on "Changing the world starts with interpreting it."
On behalf of our mighty confederation, the undersigned expresses his heartfelt gratitude to the host of the conference i.e. JNU, New Delhi in general and Prof. Archana Prasad and Prof. Praveen Jha in particular for their kind and friendly gesture to invite the representatives from AIBOC to attend this high voltage programme on the burning issues concerning the Trade Union and the Labour Movement among others.

Members are requested to join the free online course by logging into: https://glu.iversity.org"

Circular # 73:2017 17th October 2017

SUB – CORE GROUP (OFFICERS) – MEET AT MUMBAI WITH IBA

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 56 dated 10th October 2017.

"We reproduce hereunder the full text of Circular issued by the four officers` Organisation dated 9th October 2017 on the above subject for information of all concerned. We have enclosed along with this circular the letter sent to Chairman, IBA, on non monetary issues."

TEXT

Comrades,

3rd ROUND OF CORE GROUP MEETING OF OFFICERS

The third round of "Officers Core group meeting" was held at IBA's Office at Mumbai today. The IBA team was represented by Shri Prashant Kumar, DMD & CDO, SBI, Shri B. Ashok, GM-CBI, Shri S.K. Chadhary, GM (BOB), Shri K. Virupaksha, GM-CB Canara Bank, Shri M.K. Biswal-Advisor-BOM, besides Shri V.G. Kannan, CEO-IBA and the Officials of HR Department of IBA. Officers Organizations were represented by its Core Committee members, S/Shri K.K. Nair, Dilip Saha, Y. Sudarshan, S. Nagarajan & S.U. Deshpande.

The issues listed in the Charter of Demands were further taken up for discussion. There are certain forward movements in some areas. It was agreed to demand another meeting to discuss certain unresolved non-monetary issues. It was also agreed to have an exclusive meeting Disciplinary Regulations and Superannuation related issues.

It was expressed firmly to the IBA team that the issue of restricted mandate is unacceptable to the Officers' Organisations and urged upon the Chairman of the Core group to convey the same to the larger committee of the IBA. We shall keep you informed you of the further developments

Yours Comradely,

SD	SD	SD	SD	SD
K.K.NAIR	DILIP SAHA	Y. SUDARSHAN	S. NAGARAJAN	S.U.DESHPANDE
INBOC	AIBOC	AIBOC	AIBOA	NOBO"

A.I.B.O.C , A.I.B.O.A, I.N.B.O.C, N.O.B.O

Camp : 09/10/17

The Chairman
Core Group for Officers Sub Committee
C/o State Bank of India ,
Corporate Centre,
Mumbai:

Sir,

REG: ISSUES FOR FURTHER NEGOTIATION

Further to the three rounds of discussions with the IBA on the Charter of Demands , the following issues need to be further discussed for arriving at a mutually acceptable solution.

ISSUES

1. Compassionate Appointment
2. 5 days week
3. Regulated Working Hours
4. Holidays for Officers working in GRIDS
5. Encashment and accumulation of privilege leave
6. Staff Welfare : 3 % of Gross Profit
7. Date of Annual Increment to be 1st Jan & 1st July
8. Payment of Allowances for working in Red Corridor
9. Payment of Allowance to Officers working in North Eastern States
10. Facilities to Women Officers
11. New Pension Scheme.
12. Special Leave of Office Bearers
13. Bi-Lateral relationship With IBA
14. Payment of Allowance to Officers working in SEZ/NEZ/EPZ
15. Tax on Perquisites to be borne by Banks
16. Facilities to Differently abled Officers on par with Government guidelines

We would be glad to have the next meeting at the earliest to discuss the above issues apart from the issues pertaining to Disciplinary matters and Superannuation issues.

Yours faithfully

K.K.NAIR S.NAGARAJAN Y SUDARSHAN S.U.DESSHPANDE

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Circular # 74:2017 21st October 2017

AIBOC NATIONAL WOMEN'S CONVENTION

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 57 dated 19th October 2017.

"Planning meeting for the above convention was held at Mumbai on 16th October 2017 by the AIBOC Maharashtra I State Committee. The undersigned along with our President Com. Dilip Saha, Senior Vice President Com. Sanjay Manjerekar, Vice President Com. Manoj Wadnerkar attended the same. The following decisions emerged out of the meeting.

Draft Programme Schedule

Venue: Rama & Sundari Watumull Auditorium
(K.C. College Hall), KM. Kudnani Chowk,
124, Dinshaw Wachha Road,
Churchgate, Mumbai 400 020

1st Day – 04.11.2017

10 am to 1.00 pm
Inaugural Session
Presidential Address- Com. Dilip Saha
Inaugural Address – Com. Mariam Dhavle
Guest of Honour – to be fixed by State Committee
Chief Guest – Mrs. Usha Ananthasubramaniam
MD & CEO, Allahabad Bank
Keynote Address – Com. D.T. Franco,

1.00 to 2.00 pm
Lunch

2.00 to 4.00 pm
Group Discussion
1. Work-Life Balance – How?
2. Mobilising youth in Organisation
3. Challenges of Technology – Way forward
4. Merger Threats – Action Plan
5. Educating Women Activists
6. Vision 2027 for AIBOC
7. Banking Sector Reforms –Lessons & Way forward
8. New methods of agitation
9. Demands of Bipartite – How to achieve?
10. Why Trade Unions are needed?
11. Increase in credit to Agriculture ?
12. Increase in credit to Women?

4.00 to 4.30	Tea Break
4.30 to 6.30 pm	Presentation by Groups (can be in the form of PPT, Speech, drama, posters etc)Max 10 mts for the group
6.30 to 7.30 pm	Display of talents (suggestions from General Secretaries of affiliates and State Secretaries to be sent. Max 5 mts per individual & 7 mts for team. Will be finalised on 1st come first basis by the Secretariat. So please send immediately.
7.30 to 9.00 pm	Dinner
2nd Day – 05.11.2017	
9.30 to 11.00 pm	Panel Discussion 1 Role of women in economic development Dr. Pallavi Chavan, RBI Empowerment of Women – yet to finalise Contribution of family in women's career – Yet to finalise
11.00 to 11.30	Tea Break
11.30 to 12.30	Panel Discussion 2 Com. Moumita – Organising women in Trade Union Com. Shayoni- Com. Shoba- Banking policies affecting the Industry Com. Asha Parithi – Com. Priya Ghorpade – Com. Nisha Warrier - Com. Pradnya Kelkar - Chair: Com. Aruna Agnihothri -
12.30 to 1.30pm	Response by General Secretaries of Affiliates (Max 5 mts each) Response by General Secretaries – 20 mts
1.30 pm	Feedback and Vote of thanks

The registration fee is Rs.1000/- per delegate. A memento and publications of AIBOC will be provided. As proposed by Com. Aruna Agrihothri we will try to bring out a booklet on "Laws Protecting Women"

The Hotel bookings are done by the respective affiliates. However, if they require any assistance they can contact Com. M.B. Tripathi 9320123466, Com. Manoj Wadnerkar 9819201172 and Com. Ramkumar Sabapathy 9833347660, Com. Aruna Agnihothri 9930918788

All EC members are requested to participate in the Conference on both days.
Kindly treat this as notice.

The affiliates which have not sent the list of delegates are requested to send immediately as we are creating a e group and sending materials for discussion.

All affiliates are requested to remit the delegate fee to the AIBOC Maharashtra I State account."

Circular # 75:2017 30th October 2017

WAGE REVISION TALKS WITH IBA

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 57 dated 19th October 2017.

"We reproduce hereunder the full text of Circular No.UFBU/2017/22 dated 27th October 2017 issued by UFBU on the above subject for information of all concerned.

TEXT

Dear Comrades,

WAGE REVISION TALKS WITH IBA

Further to the ongoing discussions in the Sub-Committee on non-financial demands, today, a round of discussions with the Full Negotiating Committee of IBA was held in Mumbai.

From the side of IBA, Mr. R.K. Takkar (MD-UCO Bank and Chairman of the Negotiating Committee), Mr. V.G. Kannan (Chief Executive of IBA), Mrs. Usha Ananthasubramanian (MD-Allahabad Bank), Mr. P.S. Jayakumar (MD-Bank of Baroda), Mr. Shyam Srinivasan (MD-Federal Bank), Mr. Prashant Kumar(DMD-SBI), Mr. B. Rajkumar (Dy.Chief Executive-IBA), Mr. R.K. Kakkar (Sr. Advisor-IBA) and Mr. K.S. Chauhan (Advisor-IBA) were present.

From the side of UFBU, the following representatives were present:

Com. C.H. Venkatachalam and Com. Rajen Nagar (AIBEA), Com. D.T. Franco and Com. Dilip Saha (AIBOC), Com. Sanjeev K. Bandlish and Com. Vinil Saxena (NCBE), Com. S. Nagarajan (AIBOA), Com. C.J. Nandakumar (BEFI), Com. Subhash Sawant (INBEF), Com. K.K. Nair (INBOC), Com. Ramnath Kini (NOBW) and Com. Sunil Deshpande (NOBO).

We submitted the following main issues/points and wanted the response of IBA.

- Wage revision process should be completed expeditiously
- More frequent meetings/discussions to be held for this purpose
- Data regarding establishment expenses, number of employees, etc to be provided
- Negotiations must cover all Officers upto Scale-VII
- IBA to make their initial offer on increase in wages
- Fixing the Price Index upto which DA is to be merged with Basic Pay
- Discussion on the issues pertaining to retirees viz.100% DA, pension updation, improvement in Family Pension, etc.
- Introduction of 5 Day Banking i.e. remaining Saturdays also to be holidays.

IBA responded as under:

- IBA will hold frequent meetings to expedite the process.
- Data on Establishment Expenses as on 31.03.2017 was provided. Further data would be provided shortly.
- On the issue of fractured mandate by some Banks, Unions have to take up with the concerned Banks.
- For officers, Performance related Variable Pay method to be introduced.
- DA as on 31.10.2016 can be merged with Basic Pay.
- Issues like 100% DA and updation are subjudice due to litigation.
- On improvement in Family Pension, the cost aspect is being worked out.
- For introduction of 5 Day Banking, the matter needs to be taken up with various stake holders including customers and Government, etc. before any decision is taken.

There was a lot of discussion on these issues. From our side, we informed them as under:

- IBA should commence the meaningful negotiations by making their initial offer on wage increase.
- Entire exercise should be attempted to be completed before December, 2017.
- While we shall meet the top management of the concerned Banks on mandate issue, IBA also should also take initiative to resolve the matter as majority of the Banks have given their mandate for negotiations upto Scale-VII Officers.

- While we are for better performance, efficiency, more productivity, etc., any differentiated wage compensation will result in subjectivity, unilateralism, and discrimination and may become demotivating and counter-productive.
- On DA merger point, Unions will discuss and come back in the next round of talks.
- On pension related issues, none of the Unions under UFBU have resorted to litigation.
- On introduction of 5 Day Banking, IBA should take necessary steps from now on.

IBA took note of our views and it was decided to discuss the issues further in the next round of talks which will be held shortly.

With greetings,
Yours comradely,
SANJEEV K. BANDLISH
CONVENOR

P.S: It has been decided to hold a meeting of the UFBU at Mumbai on 13.11.2017 to take stock of the developments taking place in the banking sector and to further continues our struggle programmes as well as to work out our strategies to clinch an early and satisfactory wage revision."

PRESS CORNER

BAD LOAN DIVERGENCE TROUBLES

When Axis Bank, along with other private banks, reported sharp divergences from the asset classification and provisioning of the RBI norms last year, the bad loan issue appeared to be bottoming out.

But after reporting bad loan divergences to the tune of Rs. 9,478 crore pertaining to FY16, Axis Bank has reported another Rs. 4,867 crore of divergences pertaining to FY17 in the latest September quarter.

This has led to a sharp rise in quarterly slippages, taking the gross non-performing assets as a per cent of loans to nearly 6 per cent as of September 2017. Given that the risk-based supervision or RBS (another acronym to watch keenly after AQR) is an annual exercise conducted by the RBI, further slippages on this count are unlikely this fiscal.

But continual sharp divergences in asset classification from the RBI norms, year after year, highlight gaps in the earlier clean-up exercise, not lending much comfort to investors.

Also, continued stress from outside the bank's watch list, a substantial rise in write-offs and significant fall in net interest margin remain a cause for concern.

Slippages into NPAs that peaked in the September quarter last year, had since moderated. From Rs. 8,772 crore in September quarter last year, gross slippages had tapered to Rs. 3,519 crore in June 2017.

But with the bad loan divergence reported for FY17, the slippages are back to Rs. 8,936 crore in the latest September 2017 quarter.

Axis Bank, like other lenders such as ICICI Bank and SBI, that have a higher exposure to stressed sectors, had created a watch-list (key source of future stress in the corporate loan book) in the beginning of FY17.

With over 70 per cent of accounts under the watchlist slipping into NPAs, the outstanding accounts under the watchlist have fallen from around Rs. 22,600 crore as of March 2016 to Rs. 6,052 crore as of September 2017. While this was on expected lines, the incremental stress quarter-on-quarter from outside the watchlist remains worrisome.

In the September 2017 quarter, only 30 per cent of the Rs. 8,110-odd crore of corporate slippages came from the watchlist. As the watchlist shrinks, more of the bank's slippages will come from outside this list.

But the pace of slippages is worrisome.

Remember, quarterly slippages averaged Rs. 1,500-2,500 crore until September quarter last year. Since then, aside from the sharp spikes in a quarter or two, slippages have been in the Rs. 3,500-4,500 crore range.

Axis Bank's core performance has also been subdued over the past year. The bank saw a muted 1 per cent y-o-y growth in core net interest income.

This is mainly on account of reversal of interest income owing to a rise in bad loans. In September last year, loan-loss provisions had grown five-fold.

On such a high base, relatively lower provisions in the latest September quarter have led to 36 per cent y-o-y growth in net profit.

Source – The Hindu Business Line, 18th October, 2017.

INDIA POST PAYMENTS BANK GETS PRIVATE-SECTOR STAMP

India Post Payments Bank (IPPB) appointed Suresh Sethi as its Managing Director and Chief Executive Officer on Monday.

Sethi had been selected by the Banks Board Bureau from top contenders for the post, including public and private sector banking and fintech professionals, the company said in a statement.

He was the former Managing Director of Vodafone M-Pesa and has broad international experience of over 27 years in the banking and financial services industry with Citigroup and YES Bank, across India, Kenya, the UK, Argentina and the US.

He has also worked in the financial inclusion space, where he leveraged digital-led innovation. Sethi takes over from AP Singh, who has been the interim Managing Director and CEO of IPPB since January.

IPPB has been incorporated as a public limited company under the Department of Posts with 100 per cent Government of India equity.

The company plans to leverage the reach of the India Post network to achieve a pan-India rollout of 650 branches by early next year.

Source – The Hindu Business Line, 24th October, 2017.

UNION BANK OF INDIA SLIPS INTO RED AS BAD-LOAN PROVISIONING SURGES

Huge bad loan provisions, including front-loaded provisions towards accounts proceeded against under the Insolvency and Bankruptcy Code (IBC), dragged Union Bank of India into the red.

The public sector bank reported a net loss of Rs.1,531 crore in the second quarter against a net profit of Rs. 177 crore in the year-ago period.

Net interest income (the difference between interest earned and interest expended) in the reporting quarter (Q2 FY18) nudged up a tad to Rs.2,321 crore (Rs. 2,277 crore in the year-ago quarter).

Non-interest income was up 7 per cent year-on-year (y-o-y) at Rs. 1,217 crore (Rs. 1,139 crore).

Provisions towards bad loans, including 11 accounts against which IBC provisions were invoked and referred to the National Company Law Tribunal (NCLT) for resolution, jumped to Rs.3,465 crore against Rs. 1,598 crore in the year-ago period.

Rajkiran Rai G, MD and CEO, said the bank's board decided to front-load provisions aggregating Rs. 1,566 crore towards the 11 accounts (as per RBI's first list of 12 large stressed accounts that were referred under IBC) instead of spreading the same over three quarters beginning September 2017.

The bank has an exposure of Rs. 7,400 crore to the aforementioned accounts. Rai said the bank will need to make Rs. 1,087 crore provision towards 18 accounts (loan exposure aggregating Rs. 4,700 crore) from the RBI's second list of stressed assets identified for resolution under IBC either in the current quarter or the next.

Rai underscored that "provisions are peaking while slippages are coming down."
He expects the bank to be back in the black in the January-March 2018 quarter on the back of resolution and recovery. The bank is eyeing recovery of Rs. 4,000 crore in FY18.

Global net interest margin edged lower to 2.08 per cent from 2.30 per cent in the year-ago quarter.

Total deposits increased 7 per cent y-o-y to Rs. 3,86,025 crore. Low-cost current account, savings account (CASA) deposits as a proportion of total deposits improved to 33.6 per cent as at September-end 2017 from 31.5 per cent as at September-end 2016.

Gross advances were up 11 per cent to Rs. 3,09,953 crore on the back of 22.5 per cent growth in retail loans, 6.8 per cent growth in MSME loans, and 4.3 per cent growth in agriculture advances.

Source – The Hindu Business Line, 4th November, 2017.

POST RE-CAP, BANKS MAY TAKE SHARP HAIRCUTS TO END STEEL SECTOR EXPOSURE

The Rs. 2.11-trillion ($32 billion) recapitalisation support to be provided by the government to State-run banks may prompt them to take bigger haircuts on their exposure to the steel sector, which, in turn, will lead to a rise in instances of liquidation.

According to Atanu Mukherjee, President, MN Dastur & Co, on getting recapitalisation support, banks may prefer to go in for haircuts as steep as over 60 per cent in a bid to exit from such exposures.

"When you recapitalise banks, there will be a tendency by any bank to say: 'Now that I have got this recapitalisation, I want to get this monkey off my back, even if I have to take a 60 per cent haircut'," Mukherjee told *BusinessLine*.

The capital-intensive steel industry has been one of the major contributors to the non-performing assets (NPAs) of banks, which stood at close to Rs.8 lakh crore as on March 31.

The creation of excess capacity without a "solid underlying model" has been cited as one of the major reasons of stress in the sector.

Nearly 90 per cent of the investments have been debt-financed, exposing them to very high levels of risk to any amount of volatility in the market, he said.

The Indian bankruptcy code is still at a "nascent stage", he said. With the lack of required ecosystem and expertise (to deal with stressed assets of such magnitude), there is a likelihood that a majority of these assets may not fetch the kind of value they should, and may end up in liquidation.

According to Mukherjee, the current system which expects business to be reorganised or restructured in a time span of 180 days or 270 days, may prompt companies to go under liquidation due to lack of expertise of insolvency resolution professionals (IRP) in restructuring such large assets.

"If liquidation happens in large assets such as that of Bhushan Steel, the concomitant effect would be significant in terms of recoveries to banks, destruction of capital, people, employment and communities at large," he pointed out.

The country should, therefore, consider setting up an asset management company (AMC), which will take market risk in turning around stressed assets, he pointed out.

"You need a mechanism where you give them more time so that the restructuring plan is more realistic and it doesn't go out in a situation where these assets are auctioned and everybody tries to bid pennies to the dollar," he suggested.

Source – The Hindu Business Line, 8th November, 2017.

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DON'T JUMP THE GUN

The Centre's concerted crackdown on shell companies has taken another controversial turn with the ministry of corporate affairs recently commencing the process of disqualifying and 'naming and shaming' the directors associated with such firms. With over one lakh directors disqualified and the names of over 55,000 made public as 'defaulters', the issue is now stirring up a hornet's nest at India Inc. A group of high-profile industrialists named in the list have gone to court and obtained a stay on the directive. About 500 listed companies have found their directors in the cross-hairs of this rule change and are vociferously protesting it. The Government's persistent efforts to put in place strong deterrents against the scourge of money-laundering using the shell company route are welcome, but jumping the gun on penal action without making a cast-iron case against suspected firms, can prove counter-productive.

Post-demonetisation, in its keenness to showcase the success of its anti-black money offensive, the Government has ratcheted up its drive against shell companies that liberally dot India's corporate landscape. True, shell companies do make up a key cog in the parallel economy — variously used by tax evaders to obscure ownership, siphon off public funds, mis-invoice imports/exports, create dubious transfer pricing arrangements and even launder demonetised notes. But, then, a fair number of shell companies also exist for perfectly legitimate reasons — holding treasury shares or intellectual property, or for projects under implementation. Admittedly, closely held companies from both categories are notoriously lax with their statutory compliance, with only six lakh of the 15 lakh registered companies said to be regular with their financial filings. But the key problem with MCA's recent crackdown is that it has failed to make a clear case against the identified shell companies for money-laundering, and has only cited company law infractions to initiate penal action. A few listed 'shell' companies have even been able to prove viable operations at SAT hearings. Given that investigations seem to be at a preliminary stage, naming and shaming individuals associated with them, without giving them an opportunity to be heard, seem to go against the principles of natural justice.

If the Centre's intent is to usher in a better compliance culture at corporate India, simplifying the exit policy for corporate entities would be a good step forward. The long-winded procedure prescribed for corporate liquidation has been a key factor behind the growing ranks of zombie companies. There has been a very recent attempt to consolidate fragmented laws and expedite the process through the newly enacted Insolvency and Bankruptcy Code, which took effect from April 1. This rule change allows the NCLT to hear winding up petitions and empowers insolvency professionals to handle all the related processes. It remains to be seen if this offers quick euthanasia to ailing companies seeking to call it quits.

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