AIBEA's Banking News

4 MAY 2019

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Wilful defaults surge by Rs 121,700 crore in 5 years

Wilful defaults have soared by Rs 121,700 crore from just Rs 39,504 crore in March 2014, according to figures published by Transunion Cibil, a credit information company.

by George Mathew |Mumbai |May 3, 2019

THE INDIAN EXPRESS

For banks struggling with bad loans, the list of rogue borrowers is getting longer despite them filing lawsuits and hauling defaulters to the bankruptcy court. Wilful defaults by over 11,000 borrowers — who, technically, have the financial wherewithal but have not paid back bank loans — have surged by Rs 43,000 crore to Rs 161,213 crore during the 12-month period ended December 2018.

Wilful defaults have soared by Rs 121,700 crore from just Rs 39,504 crore in March 2014, according to figures published by Transunion Cibil, a credit information company. The State Bank of India (SBI) alone accounted for Rs 39,471 crore of wilful defaults as of December 2018.

In March 2014, there were only 5,090 wilful defaulters who defaulted on Rs 39,504 crore. This grew steadily over the years to number 11,046 wilful defaulters and Rs 161,213 crore by December 2018, as per the Cibil list. This figure, which is 15.5 per cent of gross NPAs of Rs 10.39 lakh crore, is set to rise for the quarter ended March 2019 as banks are expected to add more names to the list.

Cumulatively, between March 2014 and December 2018, there was an over four-fold increase in the amount classified under wilful defaults.

During the previous five year period — March 2009 to March 2014 — the surge in this amount was nearly four-and-half times.

The SBI has classified

ABG Shipyard (Rs 1,874 crore),

ABC Cotspin (Rs 403.7 crore),

Sai Infosystem (Rs 431 crore),

GET Engineering (Rs 405 crore),

Surya Pharma (Rs 574 crore),

Radikal Foods (Rs 492 crore),

Shree Ganesh Jewellery (Rs 452 crore) and

Rei Agro (Rs 671 crore), among many others.

The LIC has listed

Unitech (Rs 429 crore) and

Sterling Biotech (Rs 423 crore) as wilful defaulters.

IDBI BANK:

Gupta Coal (Rs 451 crore),

Nitin Kasliwal's S Kumars Nationwide (Rs 834 crore) and

Vijay Mallya's Kingfisher Airlines (Rs 695 crore)

are among others in the IDBI Bank's list.

The **Punjab National Bank's** wilful defaulters include

Mehul Choksi companies Gitanjali (Rs 4,633 crore),

Gili India (Rs 1,445 crore),

Nakshatra Brands (Rs 1,108 crore).

Others in the PNB list are:

Jatin Mehta's Winsome (Rs 899 crore) and

Forever Precious (Rs 747 crore), and

Zoom Developers (Rs 410 crore).

The **Bank of India** has Gupta Coal (Rs 715 crore) as a wilful defaulter.

Kingfisher also owes Rs 426 crore to Bank of Baroda.

Other big names in the wilful defaulters list are:

Rank Industries (Rs 908 crore),

Raza Textiles (Rs 1,397 crore) and

Beta Naphthol (Rs 1,658 crore).

"It is a well-known fact that bulk of these bad loans is attributable to the big businesses and the affluent. In many cases of bank loan default, it is found to be deliberate, wilful and on account of diversion of funds. Unfortunately, bank loan default is still a civil offence and, hence, criminal proceedings are not being instituted against them," said a banking source who tracks the bad loan status in the sector.

The RBI first notified the wilful defaulter dissemination scheme in April 1999 and modified it in May 2002.

AIBEA secretary general C H Venkatachalam said: "We have been demanding publication of the names of these defaulters periodically by the government but to no avail. We have also been demanding criminal action, at least against the wilful defaulters. All these are encouraging big borrowers to take loans and cheat banks. It is obvious that cheating the banks is nothing but cheating the people as banks extend loan from the money deposited by the people."

According to the RBI's Master Circular on wilful defaulters, once the bank declares a borrower wilful defaulter, no additional funding facility should be granted by any bank to the listed wilful defaulter. In addition, such companies (including promoters) should be barred from institutional finance from banks for floating new ventures for a period of five years from the date of removal of their name from the list of wilful defaulters as published or disseminated by the RBI or credit information companies. Lenders should initiate criminal proceedings against wilful defaulters, wherever necessary, it states.

Pepsico agrees to withdraw cases against Gujarat farmers

Priscilla Jebaraj
AHMEDABAD, MAY 02, 2019
THE HINDU

Decision after assurances from govt. on long-term solution

In a victory for Gujarat potato farmers dragged to court by PepsiCo for alleged rights infringement, the food and beverages giant says it has agreed to withdraw the cases.

"After discussions with the Government, the Company has agreed to withdraw cases against farmers. We are relying on the said discussions to find a long term and an amicable resolution of all issues around seed protection," said a PepsiCo spokesperson on Thursday.

This decision applies to the nine farmers PepsiCo has sued over the last two years for allegedly growing its registered potato variety which is used for Lays chips.

Anand Yagnik, the lawyer representing four farmers from Sabarkantha district who were sued for Rs.1.05 crore each, said "an unconditional withdrawal of litigation would be a great victory for the downtrodden and small farmers against a major corporate power", but noted that the company is yet to communicate its decision to the court or to the farmers and their lawyer.

"It is not stated when it will implement its decision," he said. "It is important that no wrong precedent is set, given that this is a test case which could affect other farmers across the country."

The PepsiCo decision follows criticism from political parties and farmers rights groups, as well as boycott calls on global social media.

The gender ladder to socio-economic transformation

Divita Shandilya
MAY 03, 2019
THE HINDU

More than a 'more jobs' approach, addressing structural issues which keep women away from the workforce is a must

India is in the middle of a historical election which is noteworthy in many respects, one of them being the unprecedented focus on women's employment. The major national parties, the Bharatiya Janata Party and the Congress, have reached out to women, and their respective manifestos talk of measures to create more livelihood opportunities in rural and urban areas, which include incentives to businesses for employing more women.

What data show

Currently, the participation of women in the workforce in India is one of the lowest globally. The female labour force participation rate (LFPR) in India fell from 31.2% in 2011-2012 to 23.3% in 2017-2018. This decline has been sharper in rural areas, where the female LFPR fell by more than 11 percentage points in 2017-2018. Social scientists have long tried to explain this phenomenon, more so in the context of rising levels of education for women.

The answers can be found in a complex set of factors including low social acceptability of women working outside the household, lack of access to safe and secure workspaces, widespread prevalence of poor and unequal wages, and a dearth of decent and suitable jobs. Most women in India are engaged in subsistence-level work in agriculture in rural areas, and in low-paying jobs such as domestic service and petty home-based manufacturing in urban areas. But with better education, women are refusing to do casual wage labour or work in family farms and enterprises.

Education and work

A recent study observed a strong negative relationship between a woman's education level and her participation in agricultural and non-agricultural wage work and in family farms. Essentially, women with moderately high levels of education do not want to do manual labour outside the household which would be perceived to be below their educational qualifications. The study also showed a preference among women for salaried jobs as their educational attainment increases; but such jobs remain extremely limited for women. It is estimated that among people (25 to 59 years) working as farmers, farm labourers and service workers, nearly a third are women, while the proportion of women among professionals, managers and clerical workers is only about 15% (NSSO, 2011-2012).

However, it is not the case that women are simply retreating from the world of work. On the contrary, time-use surveys have found that they devote a substantial amount of their time to work which is not considered as work, but an extension of their duties, and is largely unpaid. The incidence and drudgery of this unpaid labour is growing. This includes unpaid care work such as childcare, elderly care, and household work such as collecting water. The burden of these activities falls disproportionately on women, especially in the absence of adequately available or accessible public services. It also encompasses significant chunks of women's contribution to agriculture, animal husbandry, and non-timber forest produce on which most of the household production and consumption is based.

Any government which is serious about ensuring women's economic empowerment and equal access to livelihoods must address the numerous challenges that exist along this highly gendered continuum of unpaid, underpaid and paid work. A two-pronged approach must entail facilitating women's access to decent work by providing public services, eliminating discrimination in hiring, ensuring equal and decent wages, and improving women's security in public spaces. It must also recognise, reduce, redistribute, and remunerate women's unpaid work.

An ActionAid document, which has compiled a people's agenda through extensive discussions across States, provides critical recommendations to policymakers on issues of concern to Dalits, tribal people, Muslims and other marginalised communities with a focus on the needs of women. On the question of work, women's demands include gender-responsive public services such as free and accessible public toilets, household water connections, safe and secure public transport, and adequate lighting and CCTV cameras to prevent violence against women in public spaces and to increase their mobility. Furthermore, they want fair and decent living wages and appropriate social security including maternity benefit, sickness benefit, provident fund, and pension.

Women have also expressed the need for policies which ensure safe and dignified working and living conditions for migrant workers. For example, in cities, governments must set up migration facilitation and crisis centres (temporary shelter facility, helpline, legal aid, and medical and counselling facilities). They must also allocate social housing spaces for women workers, which include rental housing and hostels. They must ensure spaces for women shopkeepers and hawkers in all markets and vending zones.

Recognition as farmers

In addition, women have strongly articulated the need to enumerate and remunerate the unpaid and underpaid work they undertake in sectors such as agriculture and fisheries. Their fundamental demand is that women must be recognised as farmers in accordance with the National

Policy for Farmers; this should include cultivators, agricultural labourers, pastoralists, livestock rearers, forest workers, fish-workers, and salt pan workers. Thereafter, their equal rights and entitlements over land and access to inputs, credit, markets, and extension services must be ensured.

Women also reiterate the need to recognise and redistribute their unpaid work in the household. For this, the government must collect sex-disaggregated household level data with suitable parameters. Unless policymakers correctly assess and address the structural issues which keep women from entering and staying in the workforce, promising more jobs — while a welcome step — is unlikely to lead to the socio-economic transformation India needs.

(Divita Shandilya works at ActionAid India as Programme Manager- Policy and Research)

Economy slowed down slightly in 2018-19: Finance Ministry

Our Bureau New Delhi | Updated on May 02, 2019

THE HINDU BusinessLine

The Finance Ministry has admitted that the economy 'appears to have slowed down slightly in 2018-19'. Until now the government has been maintaining that there has been no economic slowdown. In fact, various agencies have also lowered the growth projection for the current fiscal (2019-20).

The Department of Economic Affairs' monthly economic report for March, published on May 1, has listed reasons for the slowdown.

"The proximate factors responsible for this slowdown include declining growth of private consumption, tepid increase in fixed investment, and muted exports," it said. On the supply side, it said, the challenge is to reverse the slowdown in growth of agriculture sector and sustain the growth in industry.

Wilful defaulters must not be allowed to buy back their assets

May 02, 2019

THE HINDU BusinessLine

Defaulting promoters should not be allowed to game the IBC system

The discussion paper on corporate liquidation process put out by the Insolvency and Bankruptcy Board of India last week has inexplicably left a backdoor open for ineligible promoters to reclaim control of their company. Section 29A, that was inserted into the Code in 2017 to keep out errant and wilful defaulters from buying back stressed assets under a resolution process, may not apply to compromise deals or arrangements under Section 230 of the Companies Act, if the proposal in the discussion paper goes through. Section 230 essentially deals with 'Power to Compromise or Make Arrangements with Creditors and Members', which may include reconstruction or amalgamation/merger/demerger of companies or reduction of share capital or even corporate debt restructuring. As proposed, while sale of assets under liquidation cannot be made to persons ineligible under Section 29 A, such persons may not be barred from participating in the scheme of arrangement under Section 230 of the Companies Act.

The entire argument is built on the oft repeated intent of the Code — resolution and revival of the corporate debtor rather than liquidation. In the famous Supreme Court ruling in ***Swiss Ribbons vs. Union of India***, it was reiterated that the steadfast intent of the IBC was to revive a corporate debtor; liquidation is only a last resort if resolution fails. In the ***ArcelorMittal India vs. Satish Kumar Gupta*** case, it was cited that even in liquidation, every effort must be made to sell the business as a going concern. In the NCLAT ruling in the ***SC Sekaran vs Amit Gupta*** case, the appellate authority had directed the 'liquidator' to consider provisions of Section 230 of Companies Act, 2013 before taking steps to sell the assets. Given that liquidation brings the life of a firm to an end, destroys organisational capital and is hugely damaging to employees, workmen and the industry at large, it is true that every effort must be made to sell the corporate debtor as a going concern. But the proposal of letting ineligible promoters under Section 29A of the Code to participate in the compromise or arrangement under section 230 of the Companies Act needs an immediate rethink. After all, the very purpose of the IBC would be defeated if fraudulent promoters were to re-acquire the business, at throwaway prices. Chronic defaulters and fraudulent promoters cannot be allowed to game the system, owing to mere difficulties in implementing the ineligibility criteria under Section 230.

The discussion paper also argues that it is not only the liquidator (resolution professional under IBC) but also creditors and members (shareholders) who can propose a compromise or arrangement under Section 230. It may be a good idea to review this provision to avoid misuse by various stakeholders. Above all, adhering to a strict timeline for concluding the process of compromise or the completion of the liquidation process is of greatest importance. A long drawn liquidation process can erode the underlying value of assets steeply leaving little for creditors.

SBI to consider Jet staff's billion-dollar bid after May 10

Forum Gandhi/K Ram Kumar Mumbai | May 02, 2019

THE HINDU BusinessLine

Lender to wait for short-listed players to place binding bids

State Bank of India will consider the Rs.7,000-crore investment proposal made by employees of Jet Airways only if it does not receive an acceptable offer from any of the four entities that have been short-listed to place binding bids.

In a meeting with employee representatives on Thursday, the bank took the view that the proposal to allow the airline's management to take over the company can be considered after May 10, the last date for the short-listed players to place a binding bid.

“It was a preliminary discussion. The employees have been told to discuss with the management and come up with a comprehensive plan because currently the bid process is going on and we cannot be unfair to the bidders who have qualified,” said a source aware of the development.

Last week, the employees had put forth a proposal to SBI under which they had suggested that Jet Airways be taken over by a consortium of employees and external investors.

On April 17, the airline announced a temporary shutdown due to lack of funds. It owes its lenders Rs.11,261 core, and its employees Rs.400 crore in salary dues for 2-4 months.

US EXIM Bank pay-off plan

Meanwhile, banks are understood to be moving to strengthen their collateral so that their chances of recovery are better in case recovery proceedings are initiated against the airline.

Domestic lenders are considering paying off the US EXIM Bank Rs.400 crore to get first charge of Jet Airways’ five aircraft.

“The plan is that the consortium of banks will take over US EXIM’s exposure, which is only about Rs.400 crore. So, the security of five aircraft will be available, which will be more than Rs.1,500 crore,” said a senior banker aware of the developments.

NCLAT allows banks to declare defaulting IL&FS accounts as NPAs

PTI New Delhi | May 02, 2019

THE HINDU BusinessLine

Restrains them from initiating recovery

Banks can now declare defaulting accounts of debt-ridden Infrastructure Leasing and Financial Services (IL&FS) and its group companies as non-performing assets, but cannot initiate recovery proceedings.

A Bench headed by National Company Law Appellate Tribunal (NCLAT) Chairman Justice SJ Mukhopadhaya on Thursday lifted the freeze on banks from declaring defaulting accounts of the company and its 300 entities as NPAs.

But the NCLAT said banks cannot initiate the recovery process and debit money and must not withdraw support until a resolution is found.

The Reserve Bank of India had last week asked banks to declare details of their exposure and provisions related to IL&FS as part of their quarterly results.

In an earlier order of February 25, NCLAT said no financial institution can declare the accounts of IL&FS or its entities as NPAs without its prior permission.

In April, the RBI had sought a modification of the NCLAT order and contended that banks should reflect IL&FS' bad loans in their accounts.

Rs.94,000-crore debt

A number of banks have already made disclosures about their exposure to IL&FS accounts and also made provisions for them. IL&FS group has total debt of overRs.94,000 crore.

IL&FS Group firms have been categorised as green, red and amber based on their ability to pay.

According to a recent briefing by the new management of IL&FS, its non-banking finance company IL&FS Financial Services (IFIN) reported a gross NPA ratio of 90 per cent as on December 31, 2018.

Liabilities biggest hurdle to Jet Airways sale, says SBI

Bloomberg New Delhi | May 02, 2019

THE HINDU BusinessLine

The top lender of ailing Jet Airways said the burden of reversing the grounded carriers negative net worth before it can fly again is the biggest challenge for any potential investor.

Liabilities and losses are considerable, Rajnish Kumar, Chairman of State Bank of India, said in an interview with Bloomberg Television on Thursday. All these past liabilities and then, profitably, can they fly in future? These are some of the considerations which are weighing upon the minds of the potential investors.

Creditors led by State Bank of India have put Jet Airways up for sale after the carrier failed to pay back debt. Once India's biggest airline by market value, Jet Airways has been a victim of a budget airline boom in the fiercely competitive market in the South Asian nation, where carriers offer base fare of as low as 1 cent to lure first time flyers.

The airline, which stopped all flights last month, has made losses in nine of the past 11 years. Jet Airways has seen lessors taking away its aircraft while rivals start services on routes it previously operated.

The deadline for submission of binding bids to take over control and ownership of Jet Airways is May 10, Kumar said. The lenders, to which the airline owes more than $1 billion, have yet to take a call on how much debt will be forgiven, he said.

Jet Airways, the oldest surviving private airline which broke into a monopoly of Air India, had a fleet of 124 and flew profitable routes like connecting India with London and Toronto. With almost 23,000 jobs at stake, the airlines woes could not have come at a worse time for Prime Minister Narendra Modi, who is seeking a second term based on his business-friendly image.

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

***Singapore Plaza, 164, Linghi Chetty Street, Chennai*-600001**

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in