



Whitewashing balance sheets not the solution: AIBEA

Banks should develop a mechanism to recover their money .

By Author Y V Phani Raj | 14th Jun 2017

Telangana  Today



Hyderabad: The bad loans situation in the Indian banking system is alarming with the overall amount estimated to breach Rs 15 lakh crore, of which public sector banks alone have exposure to about Rs 8 lakh crore.

In an effort to clamp down on bad loans, the Reserve Bank of India on Tuesday identified 12 accounts for insolvency proceedings with each of them having over Rs 5,000 crore of outstanding loans, accounting for 25 per cent of total non-performing assets (NPAs) of banks.

These 12 accounts would qualify for reference under the Insolvency and Bankruptcy Code (IBC). The central bank, however, did not name these defaulters.

The Reserve Bank had set up an Internal Advisory Committee (IAC) that comprises of a majority of its independent board members, to

advise it on the cases that may be considered for reference for resolution under the IBC. The IAC has arrived at an objective, non-discretionary criterion for referring accounts for resolution under the IBC and recommended for IBC reference of all accounts with fund and non-fund based outstanding amount of over Rs 5,000 crore, with 60 per cent or more classified as non-performing by banks as of March 31, 2016.

All India Bank Employee Association general secretary C H Venkatachalam told Telangana Today, "The government and Reserve Bank of India should make efforts to recover the money from the defaulters. **The current approach only indicates that they are trying to resolve NPAs from the books of accounts/balance sheets.**"

The banks made a stable **operating profit of Rs 1.5 lakh crore** in 2016-17. This was subject to various provisioning requirements and after the overall provisioning was done, there has been a **net profit of Rs 574 crore**. Banks balance sheets are burdened with provision for bad loans.

Venkatachalam adds, "The current measures are encouraging banks to sell bad loans for less amount which means it is only going to bring losses to banks. They will never be going to recover their money from this exercise. RBI is making banks to sacrifice in order to reduce their NPAs."

Talking about bringing defaulters to law, he said, Mallya owes Rs 9,000 crore to banks. If the government applies insolvency law to him, he will be removed from the board, someone will replace him, fresh funds be given to revive Kingfisher and that effort may succeed or not. Mallya as a defaulter will not be made accountable to what he owes and he will escape from his responsibility.

"I don't see any hope in the insolvency route that is being tried out as it is not going to result in the recovery of money, which is the only solution to resolve the whole issue. Big names like Videocon today owe Rs 47,000 crore. Can the RBI or the government recover the money from the company? Whitewashing of balance sheets and shielding the top defaulters by not naming them in public is not the right approach," he said.

Winsome, Lose Some: Jatin Mehta and the Great Rs 7,000 Crore Diamond Heist

BY GULAM SHAIK BUDAN

THE
WIRE

The three year-long CBI investigation into Jatin Mehta's Winsome Diamonds has finally come to an end. While there are a number of questions still remaining, will the guilty be punished?

- 6) Few bankers have classified the company and its directors as willful defaulters. However, the company has vehemently denied the same and reiterated that they were victim of circumstances beyond their control and are taking all possible steps to recover the same. The company, which had received from Standard Chartered Bank, notice under the SARFAESI Act, has denied all the allegations made therein. Some of the banks have sent notices to the promoter/ guarantor and also to the companies who have provided corporate guarantees. The banks have lodged complaints with the Central Bureau of Investigation to carry out investigations against the company and its management. The agencies visited the premises of the directors and also its branches at Mumbai and Surat. The company has received notice from Economic Offence Wing (EOW) of Mumbai Police. The management and the directors have fully cooperated with the agencies during their investigations.
- 7) During the period, sales of Cut and Polished Diamonds comprised less than 10% of overall turnover of the Company and as such, it has not been considered as a separate segment.
- 8) Figures of the previous year/ period have been re-grouped or re-classified wherever necessary to correspond with those of the current period's classification for disclosure as per the revised format set out in Clause 41 which corresponds to the revised Schedule VI of the Companies Act, 1956.

For WINSOME DIAMONDS AND JEWELLERY LIMITED

Sd/-

A screenshot from Winsome Diamond's financial statement for quarter ending March 2014. Credit; Winsome Diamond.

Note: On May 11, The Wire received a legal notice from Salil M. Thakore on behalf of Winsome Diamond and Jewellery. The notice directed to our

attention to a number of legal suits filed by Winsome against the UAE entities mentioned in the story. In April 2016, the company [informed](#) the Bombay Stock Exchange that it had won a number of cases against its large defaulters in the UAE. The company said that a Sharjah Court had “dismissed the petition of Al Razin Jewellery FZE and Al Faheem Jewellery FZE and ordered them to pay USD 27.23 million or its dirham equivalent with 5 per cent interest to the appellant (Winsome)”.

In addition to this, the company has also pointed out that allegations of money being siphoned off are “absolutely false and have no basis” and is “evident from the fact that in the banks’ case itself filed at DRT, Ahmedabad... the banks have specifically stated that the goods have been sold supplied and delivered by the companies to its customers at UAE and the customers in turn have defaulted by not making payments.

Hyderabad: In early 2014, Winsome Diamonds and Jewellery – formerly known as Su Raj Diamonds, but now better known as India’s second largest corporate defaulter after Vijay Mallya’s Kingfisher Airlines – acknowledged on record that the Central Bureau of Investigation had visited their offices.

In its financial statement for the period ending March 31, 2014, the company also stated that it had received a notice from the Mumbai police’s economic offence wing and that its “management and directors” had “fully cooperated with the agencies during their investigations.”

Fast forward three long years. On April 5, 2017, the Central Bureau of Investigation (CBI) finally booked six cases against the Winsome Diamonds and other group companies.

Initial reports often suggest that investigative authorities plunge into action within days after they received formal complaints from banks. But the long gestation of this case suggests that it may have been sidelined after the change of power in New Delhi in 2014. For the past three years, the CBI has investigated without producing any FIRs or arrests – which is curious because it was suspected as early as August, 2014 that there may have been more than a hint of fraud.

While the mainstream media spotlight often falls on Vijay Mallya, there has been conspicuously less attention devoted to Winsome Group

promoter Jatin Mehta, who, going by some estimates, may be the biggest defaulter in Indian corporate history.

Back to the beginning

Winsome Diamonds had raised Rs 3,420 crore from 14 different banks by 2011. And these loan limits were raised again to Rs 4,617 crore by the first quarter of 2012.

The credit was given to three group companies: Rs 4,366 crore to Winsome Diamond & Jewellers, Rs 1,932 crore to Forever Precious Diamond and Jewellery and Rs 283 crore to Suraj Diamonds.

According to the *Economic Times*, Indian banks had issued standby letters of credit (SBLC in banking parlance) similar to guarantees in favour of international bullion banks like Standard of South Africa, Standard Chartered London and Scotiabank, which were supplying gold to Winsome Group. As the *Economic Times* points out, "the arrangement was simple: if Winsome failed to pay the bullion banks, Indian banks would step in to pay for the gold consignment".

As all the loans were grounded, within months Jatin Mehta resigned from the company as director. Mehta first resigned from Forever Precious Diamond and Jewellery on August 13, 2012 and from Winsome Diamonds and Jewellery, the flagship company, on November 9, 2012.

Mehta claims that the company had failed to pay because Winsome's customers – UAE jewellers – were hit by derivatives losses and were unable to pay Winsome. In turn, Winsome Diamonds failed to repay the loans to various Indian banks.

From mid-2013, the group started defaulting on loans, and in October that year, banks declared the group a willful defaulter.

In early 2014, the banks knocked on the door of CBI. Both the CBI and the Economic Offence Wing (EOW) of Mumbai police raided Winsome's offices. According to multiple sources within Indian banking circles, after this point the investigation slowed down. This coincided, multiple senior banking officials say, with the change in government in 2014.

Rajan dragged PMO

Raghuram Rajan, then RBI chief, sensing the mounting pressure of NPAs on banks and the role of the powerful people from the real estate and diamond sectors decided to take the matter to the prime minister's office (PMO). In the first half of 2015, he wrote to the PMO seeking "concerted" action in this regard.

The *Hindustan Times*, quoting sources, noted that Rajan pegged the value of the scams at about Rs 17,500 crore. In the letter, he also outlined the reasons cited by banks for delays in their investigation and the status of the cases as obtained from the CBI.

Rajan also later confirmed that PMO was pursuing big default cases. While speaking at a seminar on the topic of 'Resolving Stress in the Banking System', in June 2015, the former RBI chief said:

For fraudsters, quick and effective investigation by the investigative agencies is extremely important. We should send the message that no one can get away, and I am glad that the Prime Minister's Office is pushing prosecution of large frauds.

Rajan also added, in an warning:

And for those who have diverted money out of their companies, especially into highly visible assets abroad, a stern message sent by bankers sitting together with investigative agencies should help send the message that the alternatives to repayment can be harsh.

Who alerted Jatin?

The Supreme Court also believed that the NPA issue was a matter of serious concern. While hearing a petition on NPAs in 2016, the-then chief justice T.S. Thakur and justice R. Banumathi said that the court will examine if the total amount of defaulting loans running into crores of rupees can be disclosed. On April 12, 2016, they came down in favour of public disclosure of defaulting loans that ran into thousands of crores.

A few months after the court's decision, news broke that Jatin Mehta had become a citizen of St. Kitts and Nevis. Located in the Caribbean, St Kitts and Nevis is widely known to be a tax haven. More crucially, India does not have an extradition with the country and analysts point that out that

it will be nearly impossible, if it is required, for the Indian authorities to bring Mehta to book.

Doing business in the UK

As per the records of Companies House, the registrar information companies for UK, Jatin Rajinikanth Mehta is a citizen of Saint Kitts and Nevis in the Caribbean. He now owns a company called Diamond Distribution Company (UK) Limited that was incorporated August 1, 2016. Mehta has listed his residential address as 1 Bell Street, 2nd Floor, London, England, NW1 5BY.

In sharp contrast to Vijay Mallya, Indian banks are left with almost nothing with which they can recover their loans Mehta. The *Times of India* reported in August 2014, that the banks were left with nothing. Journalist Josy Joseph noted that "the collateral security provided by Winsome is worth just about Rs 250 crore".

"...Jatin Mehta may not have many assets in India. He used to take commercial spaces on rent, and operated through his trusted staff and managers. Investigators have so far been able to track down just one property owned by his family members, a flat in his mother Gunvantiben Mehta's name in Malabar Hill in Mumbai," the newspaper report said.

Where is the money?

On April 5, 2017, the CBI registered six separate cases against Winsome Diamonds and Jewellery Limited, and Forever Precious Jewellery and Diamonds Limited, and their chief promoter Jatin Mehta for allegedly cheating three government banks to the tune of Rs. 1,530 crore.

CBI spokesperson R.K. Gaur said that it was alleged that Central Bank of India suffered losses of Rs 699.54 crore from Winsome and Rs 255.24 crore from Forever. IDBI and Vijaya Bank suffered loss of Rs 133.12 crore and Rs 55.68 crore on the account of Winsome and Forever respectively.

It is suspected that all of the company's 13 UAE-based buyers were in connivance with Mehta and that they have siphoned off the funds.

Times of India raised doubts about this deal in 2014. The report also narrated how the money was allegedly siphoned off:

Winsome has 13 distributors in the Middle East, of which 12 are controlled by one Haitham Sulaiman Abu Obaida. He owns Italian Gold FZE, and has the power of attorney on behalf of the other distributors.' According to documents with TOI, it is now clear that Obaida also controlled some of the suppliers of Winsome, and fully owns at least one of them, Al Noora FZE, a key supplier of Winsome. Raising questions about the so-called distribution network of Winsome, documents show that 10 of its distributors were incorporated only in 2012, five on the same day, June 25, 2012.

The 11th distributor, Al Mufied Jewellery FZE, was registered in 2010. The 12th distributor is a company named Al Alam Jewellery FZE, incorporated in 2010 in the Ras Al Kaimah Free Zone and had Suneil Mehta as its director.

It isn't clear who Mehta is, but Al Alam Jewellery is fully owned by Herald International, which is based in the Bahamas, a tax haven.

Even-Zohar's stand vindicated?

Diamond trade expert Chaim Even-Zohar, who runs Diamond Intelligence Briefs, alleged in 2016 that the money had been laundered to US-based company Pure Grown Diamonds and Iia Technologies of Singapore and Malaysia.

The synthetic diamonds that have were produced by Iia Technologies of Singapore and Malaysia, and sold by its US marketing arm, Pure Grown Diamonds, could be declared as the fruits of money laundering, according to Zohar's investigative report.

Even-Zohar reports that at least three of Mehta's UAE-based suppliers were listed on the block global insurance policy of Su Raj Diamonds (later called Winsome) and then were taken off the block insurance policy shortly before they defaulted on the amount owed to Winsome/Forever. These revelations point towards the conclusion that the UAE companies were set up with the express purpose of siphoning off the money taken from the banks.

Even-Zohar's report also revealed that most of these UAE companies were, in fact, one-room fronts that did not have the required staff or

facilities to store diamonds and jewelry. It appears no actual diamonds or jewellery were bought by them though amounts in hundreds of millions of dollars were accounted for in transactions with Winsome. Most tellingly, all the UAE companies were owned by one Haytham Ali Salman Abu Obidah, who Even-Zohar's report says, has worked for Winsome for the past eight or nine years.

Winsome Diamonds denied the Even Zohar report and has had filed a defamation case against him. The company had also issued a defamation notice to *The Pioneer* for carrying a story that allegedly says the loan money was siphoned off. Once Mehta left Winsome Diamonds, the present company has condemned news reports which talk of the loan default or file defamation cases against weak media institutions.

Why so late?

Most investors know Jatin Rajinikanth Mehta as a diamond trader, but very few knew that Mehta is a close relative of industrialist Gautam Adani, considered close to Prime Minister Narendra Modi.

Mehta's son Suraj married Krupa, the daughter of Gautam Adani's brother Vinod Shantilal Adani, in 2012.

Winsome was incorporated in 1985 as Su-Raj Diamond India Limited, apparently named after Mehta's son, who is now Vinod Adani's son-in-law. Within months after the marriage, Mehta resigned from Winsome Diamonds.

Indian media flashed the news that Mehta had given up his Indian citizenship on June 2, 2016. Just two days before that, however, on May 31, the Enforcement Directorate had issued orders for provisional attachment of immovable assets, plant and machinery worth Rs 171.97 crore belonging to Winsome Diamonds and Jewellery Limited, its promoter Mehta and other group companies.

The outstanding loan of Winsome Diamonds group has already crossed nearly Rs 7,000 crore, according to sources within banking circles. With the CBI finally filing cases, it appears that the investigations has started to come to an end. But will the guilty be punished?

At Geneva, India agrees to total ban on child labour

Jun 14, 2017

THE TIMES OF INDIA

GENEVA: India ratified on Tuesday two fundamental conventions against child labour — the Minimum Age Convention, 1973 (Number 138), and the Worst Forms of Child Labour Convention, 1999 (Number 182) — at the International Labour Organisation (ILO) conference currently under way in Geneva.

With this, India has become the 170th member of the ILO to ratify Convention Number 138, and the 181st to ratify Convention Number 182. ILO has 187 member states. Labour minister Bandaru Dattatreya, who is representing India at the conference, said the amended Child Labour (Prohibition and Regulation) Central Rules completely prohibited employment of children aged below 14 years in any occupation or process, and of adolescents (aged 14 to 18 years) in hazardous occupations and processes.

He added that the amended rule provided a broad and specific framework for the prevention, prohibition, rescue and rehabilitation of child and adolescent workers.

"The momentum of the recent initiatives taken to eradicate child labour has to be maintained as elimination of child labour is also crucial for the attainment of sustainable development goals by 2030," Dattatreya said at the conference.

Welcoming the ratifications, ILO director-general Guy Ryder said: "We all recognise the great progress India has made against child labour in recent years and the major role played by its convergence model of coherence between public policies and services."

The conventions provide a framework for the abolition of child labour so that each and every child has the opportunity to develop physically and mentally to their full potential and not getting engaged in work that jeopardises their education and development.

The conventions allow a distinction to be made as to what constitutes acceptable and unacceptable forms of work for children at different ages as well as stages of development. India will now be responsible to develop and implement programmes to progressively eradicate child labour.

UP farmers cry foul over loan waiver

Swati Mathur | Jun 14, 2017
THE TIMES OF INDIA

HIGHLIGHTS

Farmers are protesting against UP government over the criteria for identifying farmers eligible for a loan waiver.

The current procedure threatens to leave out a large chunk that has faced acute agrarian distress, they say.

NEW DELHI: Farmer groups in Uttar Pradesh have upped the ante against the Yogi Adityanath-led UP government over the criteria for identifying farmers eligible for a loan waiver. They have alleged the current procedure for identifying farmers threatens to leave out a large chunk that has faced acute agrarian distress.

Soon after it came to power in UP, the state government announced it would waive outstanding farm loans till March 31, 2016 of up to Rs 1 lakh, for small and marginal farmers. The government also said the promise of a loan waiver would benefit 78 lakh farmers in the state. Uttar Pradesh is home to 2.15 crore farmers of which about 1.80 crore are small and marginal farmers. According to the state government's current estimates, Rs 36,589 crore will only be able to service outstanding crop loans of 37% small and marginal farmers in UP, leaving plenty of room for complaint from those who are left out.

Those outside the waiver net have already cried foul, threatening to join ranks with the building farmer movement across India to corner the NDA government. President of Kisan Jagriti Manch, Sudhir Panwar, said, "PM Narendra Modi was the ambassador of the BJP's promise of loan waiver. He was the one who gave this promise legitimacy. Now, the government is backtracking on its promises by only waiving loans for a section of the affected farm segment. It appears that BJP's politics has trumped fiscal discipline."

While farmer groups including Rakesh Tikait's Bharatiya Kisan Union's have said the 'half-help' to the group is likely to do more damage to the farm sector, Wali Ullah Engineer of the Indian Minorities Front on Monday petitioned Governor Ram Naik against the UP government's decision to leave farmers who have taken term loans from cooperative banks, out of the loan waiver net. Sources in UP's Land Development Bank told TOI that small and marginal farmers who took term loans adding up to over Rs

4,000 crore, have been entirely excluded from the state's waiver move. These loans for purchasing agriculture implements were for 5-10 year duration.

A senior UP government functionary said, "We have approached the CM several times over the need to include other affected farmers. But there have been reservations because of resource constraints."

With Union finance minister Arun Jaitley announcing that the Centre will not fund states' loan waivers, the state government is scrambling to put together the resources to keep the poll promise. "One view is that the profit-making corporations will be tapped for funds. However, the government is facing immense pressure as a result of having to arrange for an extra Rs 20,000 crore towards increased salaries following the implementation of the Seventh Pay Commission," a government official said.

Maharashtra urges banks to help farmers

Alok Deshpande

MUMBAI, JUNE 14, 2017

THE HINDU

Asks them to give loans of ₹10,000 for sowing Kharif crop

On Tuesday, the Maharashtra government asked district central co-operative banks (DCCBs) and nationalised banks to help farmers who have defaulted on farm loans by giving them loans of ₹10,000 so that they can begin sowing their Kharif crop.

The State government will act as a guarantee for these loans, said Subhash Deshmukh, Minister for Co-operation, Marketing and Textiles.

Lighting a small flame of hope for DCCBs — struggling post-demonetisation after the Centre ruled that old currency notes their customers had deposited would not be exchanged by the RBI, effectively freezing much of their assets — Mr. Deshmukh said that nationalised banks have been asked to adopt each of the 13 DCCBs in the State. "We have also written to RBI to not only provide new notes to these banks but also to pay interest for the delay."

Affidavits for waiver

Meanwhile, to help ensure that "real farmers should benefit from this waiver", Revenue Minister Chandrakant Patil said, "There will be strict

conditions which will ensure that this happens. In addition, an affidavit will be taken from farmers who avail of the waiver, stating they fulfil the conditions.”

The conditions will be set by a joint panel of farmers and government officials. On Tuesday, farmers’ representatives submitted to Mr. Patil a list of names of people who will participate in the discussions.

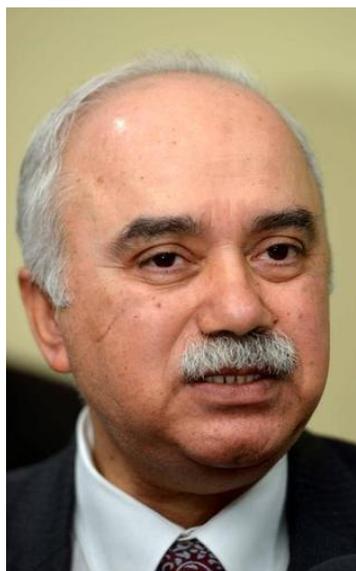
Don’t want waiver: MLA

The government has also appealed to those who can pay their loans to voluntarily come forward and forgo the waiver.

Rahul Kul, MLA from Daund, and former NCP MLA Sahebrao Patil have already declared that they will not avail the waiver.

“I am a farmer and have been periodically repaying the instalments of money borrowed by me. I will continue to do so in future as well. I, thus, request you to exempt me from the loan waiver scheme,” Mr. Kul said.

Central Bank CMD to staff: PCA is a wake-up call for cleansing balance sheet



Rajeev Rishi

MUMBAI, JUNE 15: BUSINESSLINE

Being placed under prompt corrective action should be taken as a wake-up call, requiring a do or die effort from each employee for

cleansing the balance sheet of bad loans, said a top Central Bank of India official.

This observation comes in the wake of the Reserve Bank of India putting the public sector bank under prompt corrective action (PCA) in view of its high net non-performing assets (NNPAs) and negative return on assets (RoA). "This fall from being placed in the category of strong and the best banks to being placed under PCA calls for deep introspection...During the last three decades we have slowly but surely ceded market share purely on account of our inability to keep pace with the changing times.

"The last decade we tried to correct this loss by aggressively growing our book by taking on exposures in bulk disregarding the wisdom of risk dispersion....We are today saddled with mounting NPAs and inadequate capital...," said Chairman and Managing Director Rajeev Rishi in a candid communication to employees.

Rishi emphasised that NPA management has to be the bank's top priority.

Stating that he has immense faith both in the capability and commitment of the employees, Rishi exhorted the employees not to let other matters dilute their efforts towards nursing the bank back to health.

AIBEA THIS DAY – 16 JUNE

1992

All India Strike against new economic policies and price rise by Central Trade Unions including AIBEA.



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