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PSU banks write off Rs 55,356 crore in six months

The write-off in the last six months comes at a time when banks are struggling to resolve many cases of repayment of loans and recover money stuck with corporate defaulters through insolvency proceedings.

by **George Mathew** | Mumbai | THE INDIAN EXPRESS Dec. 4, 2017

Total bad debts write-off adds up to Rs 3,60,000 crore in 10 years.

INDIA'S STATE-OWNED banks have written off loans worth Rs 55,356 crore in the first six months of fiscal 2017-18, according to data compiled by credit rating agency ICRA, as banks attempt to clean up their balance sheets after a string of defaults by firms and promoters in the wake of the economic slowdown.

The write-off in the last six months — 54 per cent higher than the Rs 35,985 crore written off in the same period last year — comes at a time when banks are struggling to resolve many cases of repayment of loans and recover money stuck with corporate defaulters through insolvency proceedings.

Figures obtained by The Indian Express from the RBI through the Right to Information (RTI) Act for the last decade show that banks had written off Rs 2,28,253 crore in nine years — from fiscal 2007-08 to 2015-16. The central bank did not provide data for the subsequent period.

Separately, responding to a questionnaire from The Indian Express, ICRA said that write-offs amounted to Rs 1,32,659 crore in 2016-17 and the first six months of 2017-18.

This means the the total write-off in the last ten years is now over Rs 3,60,000 crore.

Given the current trend, the total write-off in fiscal 2018 is estimated to top Rs 1 lakh crore, bankers said. PSU banks wrote off Rs 25,573 crore in the June quarter and Rs 29,783 crore in the quarter to September, the highest in any quarter, ICRA said

The RBI had earlier explained that writing off of non-performing assets or bad loans is a regular exercise carried out by banks to clean up their balance sheets.

LOAN WRITE-OFF IN 10 YEARS

(₹/crore)

Year	Amount
2007-08	8,019
2008-09	7,461
2009-10	11,185
2010-11	17,794
2011-12	15,551
2012-13	27,231
2013-14	34,409
2014-15	49,018
2015-16	57,585
2016-17*	77,123
2017-18*	55,356**
TOTAL	**360,912**

*** Half-year. Source: RBI *Source: ICRA*

"A substantial portion of this write-off is, however, technical in nature. It is primarily intended at cleansing the balance sheet and achieving taxation efficiency. In 'Technically Written Off' accounts, loans are written off from the books at the Head Office, without foregoing the right to recovery. Further, write-offs are generally carried out against accumulated provisions made for such loans. Once recovered, the provisions made for those loans flow back into the profit and loss account of banks," the RBI had said in an explanatory note.

The write-offs, even if "technical", is significant in the context of ongoing efforts by the government to enable a clean-up of balance sheets of banks. Repairing that and enabling banks to lend again by infusing fresh capital is at the heart of some of the recent measures unveiled by the government.

M Narendra, former chairman and MD of Indian Overseas Bank, said, "The write-off is just a technical book entry. Banks are not losing anything. It doesn't mean banks are giving up those assets. They will continue with various recovery methods."

Banks will initially make provisions on such assets and then a write-off is done when the loan becomes irrecoverable. The loan is then excluded from the balance sheet and taxable income of banks gets reduced.

Banks were engaged in a massive write-off of loans over the years and the figure hit a high of Rs 77,123 crore during the year ended March 2017, against Rs 57,585 crore in fiscal 2015-16. Ten years ago, in 2007-08, loans written off by banks were just Rs 8,019 crore, the RBI said in its reply to an RTI query.

However, experts say there is a perception that write-offs are not transparent and public funds are being misused. "You can't clean up every quarter or every year. Once in five or ten years, we are cleaning up the balance sheet for the last 20 years. You can't clean up every year. Generally write-off should be small, and should be used sparingly when there's some crisis. Technical write-off creates non-transparency, destroys the credit risk management system and brings all types of wrongdoings into the system," said a former RBI official.

"I have nothing against a write-off but it has to be done scarcely and within a policy, with all efforts taken to recover the money. Any asset which is backed up by tangible asset is never written off. Secondly, you must be subject to scrutiny for these write-offs. There must be a policy. You ask any bankers. They have written off Vijay Mallya's loan. Then how are they going to recover that money? Use it very sparingly and do it where it's essential. If there's asset, why are you writing it off?" the official said.

Karthik Srinivasan, group head – financial sector ratings, ICRA, said, "With limited resolution in stressed assets and consequent ageing of these stressed loans, the loan write-offs by public sector banks during Q2 of fiscal 2018 were at the highest-ever levels. With record loan write-offs, the addition to gross NPAs of public sector banks was limited to Rs 837 crore only during the Q2 of fiscal 2018, the lowest level during last four years."

Accordingly, the provision cover ratio, including technical write-offs, improved to 60.5 per cent as on September 30, 2017, the highest since the launch of the asset quality review by the RBI during Q3 of FY2016, Srinivasan said.

According to ICRA, provisions made by banks on advances surged by 30 per cent to Rs 64,500 crore during the second quarter ended September 2017, with more corporates coming under the insolvency process. For the first half of the fiscal, the total credit provisions were up by 17 per cent on a year-on-year basis at Rs 1,10,000 crore.

With the total exposure of Rs 3,00,000 crore of accounts likely to be resolved under the new bankruptcy code, the overall credit provisions are likely to be at Rs 2,40,000-Rs 2,60,000 crore, including impact of ageing on existing NPAs and provisioning on IBC accounts, for FY2018 as against Rs 2,00,000 crore during FY2017.

The asset quality pain is likely to continue in the near term with Rs 1,70,000 crore of standard restructured advances. Gross non-performing assets (GNPA) are likely to peak at Rs 8,80,000-Rs 9,00,000 crore (10.0-10.2 per cent) by the end of FY2018 as against NPAs of 9.5 per cent (Rs 765,000 crore) as on March 31, 2017, Srinivasan said.

8 PSU banks to raise capital from market by March

Dec 03, 2017 04:21 PM IST | PTI

Most banks are preferring the Qualified Institutional Placement (QIP) route, sources said, adding that Punjab National Bank (PNB) would be the first to hit the market to raise Rs 5,000 crore. Bank of Baroda, Bank of India, Union Bank of India Allahabad Bank and Andhra Bank are also gearing up for the share sale, they said.

PTI moneycontrolcom 3 12 17

As many as eight public sector banks (PSBs) have decided to raise capital from the market within four months as part of the Rs 2.11 lakh crore recapitalisation plan, according to official sources. Some banks have already got approval from the finance ministry while others are in the process of getting the green signal for raising capital either through private placement or the rights issue, they said.

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Finance Minister Arun Jaitley in October had announced an unprecedented Rs 2.11 lakh crore two-year road map to strengthen PSBs, reeling under high non performing assets (NPAs) or bad loans.

Their NPAs have increased to Rs 7.33 lakh crore as of June 2017, from Rs 2.75 lakh crore in March 2015. The plan includes floating re-capitalisation bonds of Rs 1.35 lakh crore and raising Rs 58,000 crore from the market by diluting government's stake.

The government equity, as per the current policy, can come down to 52 per cent in state-owned banks. Jaitley had also announced that banks would get about Rs 18,000 crore under the Indradhanush plan over the next two years.

Under the Indradhanush road map announced in 2015, the government had announced infusion of Rs 70,000 crore in state- owned banks over four years while they will have to raise a further Rs 1.1 lakh crore from the market to meet their capital requirement in line with global risk norms, known as Basel-III.

In the last three-and-a-half years, the government pumped in Rs 51,858 crore capital in the PSBs. The remaining Rs 18,142 crore will be injected into the banks over the next two years.

Different treatment likely for SMEs facing insolvency

NEW DELHI: ECONOMCI TIMES

Government may consider giving different treatment to small and medium enterprises (SMEs) under the Insolvency and Bankruptcy Code (IBC) since they usually have limited number of buyers and rely largely on promoters for a resolution.

"It is my view that we have to consider the case of SMEs objectively since they form the backbone of the country and create huge employment," PP Chaudhary, minister of state for corporate affairs and law & justice, told ET.

A recent ordinance has amended IBC barring promoters from presenting a resolution plan for companies facing insolvency. This has put SMEs at a disadvantage by limiting their resolution options and forcing them to liquidate. "If they (SMEs) face a problem, then the government can seriously consider their case," Chaudhary said.

According to industry experts, cases of nearly 300 small and medium companies have been admitted by the National Company Law Tribunal and their resolution process has been started.

On November 23, government promulgated an ordinance to tighten the Insolvency and Bankruptcy Code barring wilful defaulters, those with non-performing loans of over one year, undischarged insolvents and disqualified directors from bidding for their own companies in the resolution process.

'IBC FOR VALUE MAXIMISATION'

Chaudhary said the government's decision to promulgate the ordinance was justified as it prevented unscrupulous people from taking advantage of the corporate structure.

"The code ensures maximisation of value of assets of a corporate debtor… It was considered necessary to prohibit certain persons from submitting a resolution plan who may adversely impact the credibility of the processes under the code," the minister said.

As many as 400 companies have been referred to the National Company Law Tribunal (NCLT) for resolution.

'BALANCING INTEREST OF HOMEBUYERS & BANKS'

The ministry of corporate affairs has also received a letter from the housing and urban affairs ministry to look into the concerns of buyers in the insolvency process, with respect to the ongoing matter involving the Jaypee Group. "We have to strike a balance between the interests of homebuyers and banks…

"A 14-member committee has been appointed to consider various issues including this," Chaudhary said.

The minister also said that going forward, the reform agenda will prioritise "ease of doing business, create an environment of compliances, transparency and clean the system of suspected companies."

The Insolvency and Bankruptcy Board of India earlier amended regulations governing the corporate insolvency resolution process to ensure that — as part of due diligence prior to approval of a resolution plan — antecedents, creditworthiness and credibility of a resolution applicant, including promoters, are taken into account by the committee of creditors.

Now, kirana stores to turn ATMs for Paytm

PRIYANKA PANI BUSINESSLINE

The new facility will bring banking access to smaller cities

'Paytm Ka ATM' will allow customers to deposit / withdraw money at their ease

MUMBAI, DECEMBER 4:

Paytm Payments Bank is tapping neighbourhood stores to expand its reach. The digital bank, started by Vijay Shekhar Sharma, founder of e-commerce and digital wallet Paytm, plans to tie up with over a lakh kirana stores in the coming months to attract more customers in rural areas and also in B-towns.

For Paytm Payments Bank, the only bank providing zero balance accounts and zero charges on digital transactions, the kirana stores will act as ATMs. These stores will be called Paytm Ka ATM, and will allow customers to open saving accounts and also deposit/withdraw money at their ease.

Renu Satti, MD and CEO of Paytm Payments Bank, said: “The Paytm Ka ATM banking outlets is our step towards ensuring that every Indian has access to banking facilities. This will enable our customers to visit their trusted neighbourhood outlet to open their bank account, deposit and withdraw cash, in addition to getting their Aadhaar linked. We believe this hyper-local model of banking will play a crucial role in enabling hundreds of millions of under-served and unserved customers to gain access to quality banking services.”

Bridging the gap

These outlets will play a key role in bringing banking access to smaller cities and towns by ensuring that customers find it easy to locate an access point near them, she said, and added that Paytm has also introduced a dedicated ‘Bank’ section on its e-commerce app, which offers services from payments to digital debit card to passbook, among others.

To start with, Paytm, which plans to invest ☐3,000 crore over the next three years for offline expansion, has tied up with 3,000 stores in select cities, including Delhi NCR, Lucknow, Kanpur, Allahabad, Varanasi and Aligarh. It is looking to scale up to one lakh retail points across the country next year.

The initiative makes sense for small retailers, including vegetable vendors, and auto rickshaw and taxi drivers, who do not need to wait for a week to deposit their money in the bigger banks.

Paytm Payments Bank is, however, not the first one to come up with this model. Airtel Payments, which already has acquired 10 million customers since launch, has tied up with Hindustan Petroleum Corporation for enabling all its petrol stations as ATM points.

Fino Payments Bank is also looking to tap the network of its partner bank, ICICI Bank, for the same purpose.

'Privatise ONGC, selling 18% can fetch Rs 41K cr'

The government should privatise ONGC rather than give away its prime producing oil and gas fields to private companies "for a song and bleed the PSU to death", say company executives.

PTI / moneycontrol.com 3 12 2017

The government should privatise ONGC rather than give away its prime producing oil and gas fields to private companies "for a song and bleed the PSU to death", say company executives.

Selling just 18 percent out of the government's 68.07 percent shareholding in Oil and Natural Gas Corp (ONGC) will fetch over Rs 41,000 crore at current market price, many times more than the investment commitment it may get from giving away 60 percent in 11 identified oil and gas fields of the company, they said.

Speaking to PTI on the condition of anonymity, a cross- section of ONGC employees, officials and executives expressed dismay at the move by Directorate General of Hydrocarbons (DGH) to handover 11 of the company's fields including Kalok, Ankleshwar, Gandhar and Santhal - the big four oilfields in Gujarat, to private sector on grounds of raising output. "If they think ONGC is inefficient, the company should be privatised.

The proposed approach will only drive the company, which is India's most profitable PSU, the Air India way," one of them said. Cutting government stake to just one share less than 50 percent would give government enough revenues to meet its disinvestment target as well as bring in "an efficient private sector management", he said.

India has 0.3 percent of world's oil and gas reserves but produces 0.6 percent of global output, with ONGC accounting for the bulk of it, another official said.

He sought to debunk the theory that since the recovery at the state-owned firm's fields is low, it warrants involvement of private sector in raising production. ONGC, officials said, has maintained production levels despite most of its prime fields being in production for decades and natural decline setting.

"Petroleum Minister Dharmendra Pradhan has been touting at public forums ONGC's 'stagnant' production being on the rise," one of them said.

Another official said that if drop in production is a criterion for getting so-called experts for raising production, eastern offshore KG-D6 gas fields in Bay of Bengal and Barmer oilfields in Rajasthan are the fit case.

These fields are just 8-10 years old but have seen considerable drop in production, he added. Natural gas output from the biggest gas field in the KG- D6 block is one-tenth since global major BP Plc came on board nearly seven years back, he said.

Another official cited the example of Panna/Mukta and Tapti oil and gas fields in western offshore, which was taken away from ONGC in the 1990s and given to Enron Corp and Reliance Industries.

After Enron's bankruptcy, the fields were first operated by BG Group of UK and now under Royal Dutch Shell but the production has only fallen, leading to the partners deciding to relinquish one of the fields, he said.

The DGH wants private companies take 60 percent stake in producing oil and gas fields of national oil companies, ONGC and OIL, with the view that they would raise production above the baseline estimate. As many as 15 fields - 11 of ONGC and four of Oil India Ltd (OIL) - with a cumulative in place reserve of 791.2 million tonnes of crude oil and 333.46 billion cubic metres of gas have been identified.

Another executive said the concept of the fields being given to ONGC on nomination basis is "flawed" as what the company got was barren piece of area where it invested capital, without seeking any budgetary support, to discover oil and gas and produce from them.

And these areas were given to ONGC in absence of any private or foreign company interest in exploring in India, he pointed out. According to the proposal made by DGH, ONGC/OIL fields would be auctioned and any firm committing the maximum capital investment within 10 years of the contract award and the largest share out of its net revenue to the government would be awarded the field.

The 15 fields selected are out of a review of 202 fields operated by the national oil companies. The fields chosen are ones that hold reserves of 20 or more million tonnes of oil equivalent (MT OE) and have crossed the half-way mark on a score (indicative of poor field performance) combining exploration index, current recovery, and production decline rate in the last three years.

Of the 202 fields, 141 are either less than 10 years of age or had shown some positive change in the year-on-year production rate. As many as 44 fields of ONGC and OIL have been identified for production enhancement work through Technical Services Model. Under this, technical tie-ups would get the 'tariff' that they bid as a return for increasing the output 'over the baseline production' for 10 years initially.

AIBEA THIS DAY – 5 DECEMBER	
1968	**Rajya Sabha adopts Social Control Bill despite stiff opposition.**
1977	**One hour strike" 3rd Bipartite developments.**

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