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Privatisation of banks not healthy for the economy, says Y.V. Reddy

STAFF REPORTER GUNTUR , DECEMBER 29, 2017

THE HINDU

I Governor Y.V. Reddy speaking at the Indian Economic Association centenary conference at ANU on Friday. | Photo Credit: T_VIJAYA_KUMAR

'There is no national bank that is 100% owned by government'

Expressing concern over the alarming trend of the banking sector being dominated by private players, the former Governor of Reserve Bank of India Y.V Reddy said here on Friday that privatisation of the banking sector was not healthy for a developing economy.

Delivering a talk on "Developmental banking," Mr. Reddy said it was unfortunate that there was no national bank which was 100% owned by the government. Even in private banks, the nationalised banks have share more than 50%.

Stating that growth of economy was inextricably linked to the credit linkage by banks, Mr. Reddy said that India could take a cue out of Japan and Germany where governments draw capital from banks and use it for taking up infrastructural projects.

China example

"Look at China, which is competing with India. There is 100% of developmental banking, while in India, the share of public sector banks is hardly 50 to 55%. There is no public bank which has 100% share,'' Mr. Reddy said.

National Stock Exchange representative A. Madiah moderated the panel discussion.

Vice-Chancellor of Vellore Institute of Technology G. Viswanathan said the rapid proliferation of political parties has bred corruption in the system. He found fault with conducting bypolls which witnessed large scale spending of money.

Jomo Kwame Sundaram, Tun Hussein Onn Chair, Institute for Strategic and International Studies, Malaysia, said the period during 1975-1990 was marked by stark inequalities in the economic development. Ghana, which secured independence long ago, was unable to prosper as it was not unable to address issues of poverty. Providing subsidies in developing countries was also stemming growth, he observed.

Note ban hurt daily wager, contractual jobs, govt's own survey shows

The survey showed regular jobs rose by 197,000 in January-March 2017, compared with job creation of 139,000 the previous quarter

Somesh Jha | New Delhi

December 30, 2017 BUSINESS STANDARD

The government's demonetisation of high-value currency notes in November last year affected job creation among daily wagers and contract workers, even as regular jobs continued to grow, shows the latest official survey of enterprises, issued by the Labour Bureau.

During January-March 2017, job creation stood at 185,000 against 122,000 in October-December 2016 and 32,000 in July-September 2016, according to the Bureau's fifth quarterly report on employment. The report covers eight sectors – manufacturing, construction, trade, transport, accommodation and restaurants, information technology (IT), education and health. These constituted 81 per cent of all employment provided by enterprises with a workforce of more than 10 each.

The survey showed regular jobs rose by 197,000 in January-March 2017, compared with job creation of 139,000 the previous quarter. However, the pace among contract workers slowed to 26,000 in January-March, against 124,000 in the previous quarter. Casual workers — getting wages on a daily basis — declined by 53,000 in the fourth quarter of 2016-17. The fall was a bit slower than a drop of 152,000 the previous quarter.

Experts said that there was a shift in the nature of jobs, instead of job loss, after the government decided to demonetise currency notes of Rs 500 and Rs 1,000 on November 8 last year.

"In the organised sector, there was an uptick in employment of fulltime workers who were paid by cheques or through bank accounts but the number of contract and casual workers, paid by cash, declined during this phase," said Pronab Sen, country director, IGC's India Central Programme and former chief statistician to the government.

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SHARP DECLINE

Job creation in eight sectors

(In nos)

Oct-Dec 2016	Jan-Mar 2017
REGULAR	
139,000	197,000
CONTRACT	
124,000	26,000
CASUAL	
-152,000	-53,000
TOTAL	
122,000	185,000

Source: Labour Bureau

Among contract workers, there was a slowing in job creation in the manufacturing, trade and IT sectors. And, job losses in construction, transport, accommodation and education. The pace of job creation among contract workers slowed in all sectors, except health, during January-March this year.

Construction sector workers grew 2,000 in January-March, against a dip of 1,000 the previous quarter. The manufacturing sector saw 102,000 more jobs, as against 83,000 the previous quarter. Further, the accommodation and restaurant segment saw job creation for the first time in three quarters, the survey showed.

While of job creation remained stagnant in the IT sector, it slowed in the education sector. New jobs there stood at 2,000, compared to 18,000 in the October-December period.

Central Bank of India to decide Rs 323 cr fund raise from government on January 3

Central Bank of India today said its board will meet on January 3, 2018 to consider a proposal of raising additional equity capital of Rs 323 crore from the government.

By: PTI | New Delhi | Published: December 30, 2017

The government had on October 24 unveiled a Rs 2.11 lakh crore two-year roadmap for strengthening NPA-hit public sector banks, which includes re-capitalisation bonds, budgetary support and equity dilution. (PTI)

Central Bank of India today said its board will meet on January 3, 2018 to consider a proposal of raising additional equity capital of Rs 323 crore from the government. The capital raising committee of the board of director will consider and approve raising additional equity capital of Rs 323 crore by issuance and allotment of equity share of face value of Rs 10 each at such issue price including premium to President of India on January 3, 2018, the bank said in BSE filing. According to the statement, the committee will also decided to hold an extraordinary general meeting of the shareholders on February 2, 2018 to consider and pass necessary resolution and may also fix January 3, 2018 as relevant date for the purpose of determining the issue price.

The government had on October 24 unveiled a Rs 2.11 lakh crore two-year roadmap for strengthening NPA-hit public sector banks, which includes re-capitalisation bonds, budgetary support and equity dilution

Explained: The Debt and Repayment Woes of Anil Ambani's RCom

BY ANUJ SRIVAS ON 28/12/2017 •

THE WIRE

Banking sources say the account will be declared an NPA if the telecom firm misses another interest payment by December 31.

Reliance Communications chief Anil Ambani. Credit: Reuters

New Delhi: Anil Ambani's Reliance Communications (RCom) this week finally outlined a plan to cut its debt by by around Rs 39,000 crore, mostly on the back of the sale of assets for which the company claimed some non-binding offers had already been made.

And yet, multiple bankers and ratings analysts describe the outcome of the strategic debt restructuring (SDR) process – which was invoked in June 2017 after RCom missed interest payments, prompting two credit rating agencies to downgrade its debt to default – as still uncertain.

The telecom company, which has a debt of nearly Rs 45,000 crore, currently plans on reducing this to Rs 6,000 crore by March 2018. Several bankers, however, feel that the timeline may be longer.

The repayment plan RCom presented this week will reportedly involve "zero write-offs" for lenders and will see Rs 25,000 crore in debt cut through prepayment after asset monetisation and transfer of spectrum liabilities. A further Rs 10,000 crore will go towards "non-recourse long-term debt" to a special purpose vehicle that will be set up to develop land parcels at Dhirubhai Ambani Knowledge City in Mumbai.

The new debt resolution plan provided by Ambani is not very different from the previous one, and is just a way of "kicking the can down the road", Fitch Rating's Nitin Soni told ***Bloomberg Quint***.

According to Soni, a director at the ratings agency, RCom has a "long-standing problem" of coming up with resolution plans followed by patchy implementation. This has been going on for the last two years and has prompted Fitch to suspend its coverage on the company, he added.

Senior bankers ***The Wire*** spoke to admitted that factors that had been in play when SDR was invoked had slowly fizzled out.

"SDR was invoked to buy time for both us and the company. It was to solidify time to find buyers for assets while obviously giving us an option to convert debt to equity at a more favourable price after these transactions were completed," a senior executive of a public sector bank, who declined to be identified, said.

When the SDR was invoked, RCom had firm plans to move ahead with the sale of its wireless and telecom tower businesses (which put together represented nearly 70% of the company's total revenue) – through a merger with Aircel and a majority stake sale of its towers business to Canada's Brookfield Group.

Lenders expected the proceeds from both these transactions to reduce RCom's debt by nearly 60% or Rs 25,000 crore.

In October 2017, however, these calculations were thrown into disarray with the Aircel merger being called off a year after it was first announced due to “legal uncertainties” and “intervention by vested interests”. This in turn, industry sources said, had negative consequences for the Brookfield deal (which was initially signed at a Rs 11,000 crore valuation in December 2016) as it had to be reworked and revised downward to reflect the loss of Aircel’s tenancies.

These two developments prompted RCom management to suggest that Indian lenders (which had around Rs 35,000 in exposure) to convert Rs 7,000 crore of debt into equity, which would give them a 51% stake.

These negotiations turned tense in November and were ultimately unsuccessful because the company wanted a conversion rate of Rs 24.71-Rs 24.73 – even though by that time the market rate for RCom’s shares was Rs 14-15.

A street vendor sells his goods beside a Reliance mobile phone store in Mumbai. Credit: Reuters/Reinhard Krause/Files

IBC aversion

What added to the problem at the time, industry sources say, is that most Indian public sector banks were hesitant to invoke the insolvency process as it would require lenders to comply with higher provisioning requirements (50% for secured exposure and 100% of unsecured exposure).

What further complicated things, on top of this, however, was the fact that other creditors who had come to collect their own dues.

“At that time, multiple other creditors such as China Development Bank had taken the company to the National Company Law Tribunal (NCLT). If we converted our debt to equity it would have meant that we would have to appear in the NCLT court as a financial investor who owned 51% stake in the company," a person who participated in the lender's consortium discussion, told ***The Wire***.

"Ultimately, even two weeks ago, there was no agreement on the price at which we could convert debt to equity as the company's market cap was much lower than when SDR started," the person added.

In this week's press conference, Ambani alluded to having made a trip to Beijing and stated that the company had reached "an out-of-court settlement with China Development Bank."

What happens now?

With RCom formally exiting the SDR process, banking sources say, it will have to be declared a non-performing asset (NPA).

There are different opinions on when exactly this will happen. A senior official at State Bank of India, who declined to be identified, told ***The Wire*** that if the Anil Ambani firm misses another interest payment of Rs 1,300 crore by December 31, the account will be classified as an NPA.

R. K. Takkar, Managing Director of UCO Bank, whose exposure to the telecom firm stands at around Rs 3570 crore, has stated that RCom will move out of SDR only after its "monetisation process takes a concrete shape" and that once the firm exits the SDR process it will be classified as an NPA.

UCO will have to make a 15% provision for the debt-ridden account. While Ambani stated that the whole asset monetisation process will be finished by March 2017, Takkar has indicated that the process could take longer, with monetisation of only one or two of RCom's divisions taking place in the next three months.

Several bankers ***The Wire*** spoke to, however, maintained that this time around RCom's asset monetisation process was "more serious", having being vetted by investment bankers with several non-binding offers in place.

Who could be potential buyers? As ***The Wire*** reported, Mukesh Ambani-controlled Reliance Jio is interested in the company's spectrum assets, while other media reports state that the Chinese lenders are "likely to get a significant shareholding" in the SPV set up to develop the DAKC land in Mumbai.

Whether the non-binding offers are enough for RCom to completely monetise its assets remains to be seen.

IOB sells Bhushan Steel account to SSG Capital at 40% write-off

SSG Capital was the largest bidder with Rs 376 cr

T E Narasimhan | Chennai December 29, 2017 BUSINESS STANDARD

State-owned Indian Overseas Bank (IOB) has sold its Bhushan Steel account to SSG Capital with write off amounting to less than 40 per cent of debt.

Sources in IOB say the process should be complete by this weekend. SSG Capital was the largest bidder with Rs 376 crore. Other bidders, mainly asset reconstruction companies (ARCs), included Edelweiss, J M Financial and Pegasus.

Without disclosing the number, an IOB source said over 60 per cent was recovered and this would help strengthen the balance sheet. **The lender's exposure to Bhushan was Rs 650-700 crore.**

In the recent past, the bank has been in the process of reducing its high level of non-performing assets (NPAs). In September, it sold bad debt exposure of Rs 1,600 crore in Essar Steel to Edelweiss ARC at a 50 per cent discount to the book value.

The bank's gross NPAs at September-end were Rs 34,709 crore, about 22.7 per cent of the total, as against Rs 35,453 crore or 23.6 per cent at end-June. Recovery during April-September, the first half of this financial year, was Rs 6,750 crore, as against Rs 3,535 crore a year before. Recovery was higher than the slippages during the period.

Net NPA was contained at Rs 18,950 crore, a ratio of 13.86 per cent as on end-September, as against Rs 20,765 crore and 14.3 per cent a year before. The provision coverage ratio improved to 55.88 per cent as on end-September, from 50.19 per cent a year before.

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GREETINGS OF THE SEASON
AND BEST WISHES
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- **OUR COUNTRY MORE PROSPEROUS**
- **OUR PEOPLE MORE HAPPY**
- **OUR BANKS MORE VIBRANT**
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- **OUR SOCIETY WITHOUT EXPLOITATION**

AIBEA THIS DAY – 31 DECEMBER	
2000	24th Conference of AIBEA. Delegate Session. Seminar on Banking Reforms, Disinvestment, Privatisation and dangers thereof: Eminent Economists like Dr. Bandopadhyaya, Prof. Prabhat Patnaik and others participate.

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