



## Central authority needed to vet write-off, compromise proposals: AIBEA

Our Bureau Mumbai | Updated on June 02, 2021

THE HINDU  
**BusinessLine**



In 2019, bad loan write-offs by banks amounted to ₹1,83,391 crore

**The All India Bank Employees' Association (AIBEA)** has called for the setting up of a Central authority, comprising retired bankers with credit knowledge and integrity, under the auspices of the Central

Vigilance Commission (CVC) to vet the proposals for write-off and compromise.

The authorities or the Committees that have sanctioned loans must not have the powers to write-off the same, according to CH Venkatachalam, General Secretary, AIBEA. "The (public sector) banks are bleeding because of the problem of bad loans and huge write-offs and provisioning are being made year after year from out of the operating profits," he said.

As per the Association, in 2019, bad loan write-offs by banks amounted to ₹1,83,391 crore and the amount transferred from operating profits as provisions for bad loans/ NPAs (Non-Performing Assets) was at ₹2,29,852 crore.

### **'Compromise' proposals**

Venkatachalam emphasised that all write-off proposals beyond a particular limit should be disposed off by the Central Authority constituted specifically for the purpose. Further, "compromise" proposals should be screened at the highest levels. He alleged that going by present day experience, these so-called "compromise proposals" are nothing but camouflage and cover-up of collusive acts.

"Willful bank loan default should be treated as a criminal offence... personal guarantees/ assets of the borrowers including directors of the corporate sector should be attachable for recovery of bank loan dues as has been held by the Supreme Court of India," Venkatachalam said.

In a representation to the RBI's committee on the functioning of Asset Reconstruction Companies (ARCs), AIBEA said, "Looking to ARCs' track record, recovery performance, and the loss borne by the banks on bad debts handled by ARCs, we are very clear that ARCs are not required but stringent laws should be enacted to recover all willful defaults at a relatively quick-time."

The Association suggested that banks should be banned from lending to a company or group of companies, which defaulted and whose account has become a NPA in a particular bank. "The loans of such groups in other banks should also be treated as NPA and should be recalled by the banks.

This, we feel, would enable speedy recovery of willfully defaulted corporate loans,” Venkatachalam said.

### **‘No participation’**

The company or group of companies should not also be allowed to participate in the auction for purchase of assets of other defaulting company or group of companies that are brought through SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) or ARCs.

The Association said in case of ARCs, as far as the Public Sector Banks are concerned, the amount of discount with which a bad loan is sold, the discounted amount should be replenished by the government of India as they are the primary owners of these banks.

“The present system of sharing recovery on water-fall structure has to change. At present, ARC recovers first its legal and resolution expenses and then management fees and thereafter the recovery is shared in the agreed ratios. This needs to be changed to proportionate sharing of all the items so as to keep the ARC driving recovery,” Venkatachalam said.

## **Delay in insolvency resolution continues to be cause for concern**

[Suresh P Iyengar](#) Mumbai | June 01, 2021

THE HINDU  
**BusinessLine**

***Number of cases admitted for insolvency last fiscal was down to 499***

***79% cases as of March-end breach deadline***

While the ever-evolving Insolvency and Bankruptcy Code is gaining ground as an effective recovery tool, the inordinate delay in resolution process still remains a worrying factor.

Of the 1,723 ongoing insolvency cases as of March-end, 79 per cent or over 1,361 cases have breached the outer limit of 270 days for resolution set out by IBC. Gautam Bhatikar, Partner at Phoenix Legal said the delay in resolution was due to the fact that NCLTs have been functioning via virtual hearings since the lockdown last year.

Moreover, he added a large number of vacancies across tribunals has been a major hindrance and the Supreme Court has already directed the government to fill up vacancies in two months.

Following the strict timeline of 120 days is the only way to reduce the statutory delays in resolution processes, he added.

### **Slowdown in cases**

The number of cases admitted for insolvency last fiscal slowed to 499 against 1,978 in FY20 due to the suspension of fresh bankruptcy proceedings for Covid defaults which ended on March 24.

However, there will be no sharp increase in number of fresh insolvency cases as the government has given a six-month moratorium for stressed borrowers followed by a one-time restructuring and emergency credit guarantee scheme.

Of the 4,376 cases registered for CIRP, 29 per cent or 1,269 cases have ended into liquidation while about 946 cases were that of BIFR/non-operational companies or their resolution value was less than the liquidation value. Interestingly, eight per cent of the cases under Rs.1 crore default have been withdrawn under Section 12A.

Amrita Tonk, Partner at L&L Partners said while having pre-packaged resolution mechanism leads to quicker resolution process and provides for retention of management control by the corporate debtor, it would be advisable to set up administrative framework/infrastructure specifically to oversee the pre-packed resolution plans.

Of the 12 cases pushed by RBI for insolvency proceedings in 2017, resolution plans for nine firms were approved while liquidation orders were passed against two firms.

# RBI keeps key rates unchanged as virus lashes economy

[REUTERS](#)

MUMBAI, JUNE 04, 2021

THE  HINDU

The Reserve Bank of India (RBI) kept interest rates steady at record lows on Friday, as widely predicted, as it assesses the impact of a devastating second wave of COVID-19 infections on the economy.

The RBI held the repo rate, its key lending rate, at 4% and kept the reverse repo rate, the borrowing rate, unchanged at 3.35%.

The RBI has slashed the repo rate by a total of 115 basis points (bps) since March 2020 to soften the blow from the pandemic. This follows 135 bps worth of rate cuts since the beginning of 2019.

Addressing the media, RBI Governor Shaktikanta Das said a normal monsoon will provide tailwind for economic revival.

He also said the economic growth forecast for current fiscal would likely be 9.5%, which is lesser than the previous projection of 10.5%.

The RBI also projected retail inflation at 5.1% in 2021-22.

# New Delhi 'will take all steps to bring back Mehul Choksi'

[SPECIAL CORRESPONDENT](#)

NEW DELHI, JUNE 04, 2021

THE  HINDU

***The response of the Ministry of External Affairs came shortly before it became known that Mr. Choksi is likely to remain in custody in Dominica for a few weeks more as the next hearing is expected to be around July 1***

India will make “all efforts” to bring back fugitive diamond trader Mehul Choksi from Dominica, where he is facing a case in a court over alleged illegal entry into the island.

The response of the Ministry of External Affairs (MEA) came shortly before it became known that Mr. Choksi is likely to remain in custody in Dominica for a few weeks more as the next hearing is expected to be around July 1.

“India remains steadfast in its efforts to ensure that fugitives are brought back to face justice. Regarding the specific case of Mehul Choksi, we understand that he is in the custody of the authorities and certain legal proceedings are under way. We will continue to make all efforts to ensure he is brought back to India,” said MEA spokesperson Arindam Bagchi.

Accused of defrauding the Punjab National Bank and the State Bank of India of Rs.13,500 crore, Mr. Choksi fled to Antigua and Barbuda in 2018 and took citizenship there.

Meanwhile, Antigua PM Gaston Browne continued to distance his country from the fugitive.

“The preference of the Cabinet of Antigua and Barbuda is for Mr. Choksi to be repatriated to India from Dominica,” said Mr. Browne in a statement even as the court hearing continued at Dominica where the diamond trader argued that he was abducted from Antigua and should be returned there.

Mr. Browne had argued that the return of Mr. Choksi would draw Antigua into the problem once again. “If he finds himself in Antigua, the problem reverts to Antigua and Barbuda,” said Mr. Browne, seeking repatriation of Mr. Choksi to India.

**National floor wages: Govt sets up another panel, gives it 3 years**

***The wage code also empowers the central government to fix national floor level minimum wages (NFLMW), below which no state can set their minimum wages***

***The Code on Wages 'universalises' the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling***

Nearly two years after the passage of the Labour Code on Wages that gave legislative protection of minimum wages to all workers, the labour ministry has now constituted an expert committee and given it the mandate to fix the minimum wages for different regions.

It will also propose national floor wages for all categories of work, below which the minimum wages can't go.

However, the panel has been given a tenure of three years, implying the implementation of the minimum wages for all workers of the country could be delayed.

Currently, the provisions of Minimum Wages Act applies to workers in scheduled employments including mining, plantations and services. The wage code is meant to ensure the "Right to Sustenance" for every worker and extend the legislative protection of minimum wage to 100% of the country's workforce from 40% now.

Ahead of the passage of the wage code in August 2019, the labour ministry had set up a similar committee chaired by Anoop Satpathy. The Satpathy-led panel had suggested a national minimum wage at Rs 375 per day or Rs 9,750 per month. It also suggested a monthly housing allowance of Rs 1,430 for city-based workers.

The new six-member committee, headed by Institute of Economic Growth director Ajit Mishra, will look into the international best practices on wages and evolve a scientific criteria and methodology to arrive at the wage rates.

Other members of the committee include Tarika Chakraborty, professor, IIM Calcutta; Anushree Sinha, senior fellow, NCAER; Vibha Bhalla, joint secretary in the labour ministry and H Srinivas, director general, VVGNI, and DPS Negi, senior labour & employment advisor of the labour ministry.

The Code on Wages 'universalises' the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling.

Responding to a debate in Lok Sabha on the wage code, labour minister Santosh Gangwar had said, "At present, many of the states have multiple minimum wages. The minimum wage would primarily be based on geography and skills. It will substantially reduce the number of minimum wages in the country from existing more than 2,000 rates of minimum wages."

The wage code also empowers the central government to fix national floor level minimum wages (NFLMW), below which no state can set their minimum wages.

The concept of NFLMW was first mooted on the basis of the recommendation of the National Commission on Rural Labour (NCRL) in 1996.

NFLMW was fixed at Rs 35 per day in 1996 and has since been revised almost regularly every two years taking into account the increase in the Consumer Price Index number for industrial workers, CPI (IW). NFLMW now stands at Rs 178 a day fixed in 2019.

Barring a couple of states, most of the states keep minimum wages for many 'scheduled employments' lower than the NFLMW. There are also wide disparities between the minimum wages actually enforced among states and across sectors, a situation that could partly be explained by the differences in income levels and the prices among states.

The Economic Survey 2018-19 stated that an effective minimum wage policy that targets the vulnerable bottom rung of wage earners can help in driving up aggregate demand and building and strengthening the middle class, and thus, spur a phase of sustainable and inclusive growth.



# IBBI: 79% of ongoing cases unresolved for over 270 days

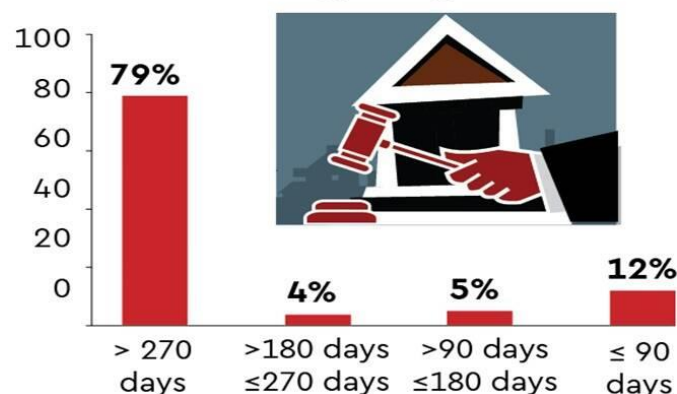
Ankur Mishra | June 03, 2021  THE FINANCIAL EXPRESS

***In January-March quarter, 29 insolvency cases were successfully resolved, with creditors recovering Rs 4,600 crore out of a total claim of Rs 17,389 crore***

***The number of the unresolved cases is high even after IBBI had allowed exclusion of the lockdown period from the calculation of CIRP process last March***

The pandemic has affected the resolution process under the Insolvency and Bankruptcy Code (IBC) regime, which is in its fifth year. Latest data showed further delays in resolutions and low recovery in 2020-21. According to data released by the Insolvency and Bankruptcy Board of India (IBBI), 79% of the ongoing cases remained unresolved for more than 270 days till March 2021.

## Timeline: Ongoing CIRPs



This is a steep rise compared to March 2020 (Q4FY20), when only 35% of the ongoing cases had taken more than 270 days. The data also showed that average time taken to resolve a case was 459 days as of March 2021, compared to 378 days as of March 2020. The data is important as IBC stipulates that the resolution process of a stressed company should be completed in a maximum of 270 days.

Since very few cases were admitted to the National Company Law Tribunal during FY21, IBBI data showed that only 12% of the ongoing

cases were less than 90 days old after admission. Similarly, 9% of the ongoing cases in the corporate insolvency resolution process were between 90 and 270 days. The number of the unresolved cases is high even after IBBI had allowed exclusion of the lockdown period from the calculation of CIRP process last March.

The major cases pending at NCLT for approval includes Dewan Housing Finance Corporation (DHFL), Jet Airways, HCC's subsidiary Lavasa. Reliance Industries (RIL) and Future Retail are also awaiting NCLT nod to hold meetings of their shareholders and creditors to consider and approve the proposed merger, after the Supreme Court had granted a go-ahead to the NCLT for its proceedings.

The latest IBBI data also showed that banks and other financial institutions have been able to recover 39.26% of the admitted amount so far.

They recovered a total of Rs 2 lakh crore from 348 cases of insolvencies, which were successfully resolved as on March 31, 2021. The total claims made by banks in these cases were Rs 5.16 lakh crore. In the January-March 2021 quarter, 29 insolvency cases were successfully resolved, with creditors recovering Rs 4,600 crore out of a total claim of Rs 17,389 crore made by bankers. The recovery rate during the quarter (Q4FY21) was a paltry 26.41%.

## **Banks to sell off Mallya's properties worth Rs.5,646.54 crore to recover dues**

***The bank consortium had approached the PMLA (Prevention of Money Laundering Act) court asking for the release of the properties attached by the Enforcement Directorate***

[Charul Shah](#) | JUN 02, 2021  
**hindustantimes**

A special PMLA court has, in two separate orders passed within the last 10 days, allowed the restoration of properties of fugitive liquor baron Vijay Mallya to a consortium of 17 banks that had provided him loans. The consortium, led by State Bank of India, can now sell off these properties that have a combined value of Rs.5,646.54 crore and recover some of their dues.

The bank consortium had approached the PMLA (Prevention of Money Laundering Act) court asking for the release of the properties attached by the Enforcement Directorate. The ED raised no objections, but Mallya's legal team did, and so did the lawyers of other companies that have an interest in these properties.

Mallya's lawyers challenged the jurisdiction of the PMLA court. They argued that the liquor baron had only given a personal guarantee while taking the loans and that didn't connect him to the offence of money laundering. But the court rejected the claim and accepted SBI's plea that it suffered huge losses. "It is material to note that the claimants are public sector banks, and these banks are dealing with public money," the court said, adding that these PSU banks cannot have any personal or private interest in making the claims against Mallya.

The court held that the quantifiable loss suffered by the banks was Rs.6,203 crore but the properties in question were insufficient to meet it. So, on May 24, the court ordered the release of properties worth Rs.4,234.84 crore, and on June 1, it released more properties worth Rs.1,411.7 crore.

Those released so far include properties in UB City, Bengaluru, worth Rs.712.94 crore; Mallya's under-construction flats in Kingfisher tower worth Rs.564.25 crore; several pledged and unpledged shares; and many other properties owned by Mallya through various companies in Bengaluru.

# Arvind Panagariya makes a strong case for a separate ministry of privatisation

**PEHAL  
NEWS**

03<sup>rd</sup> June, 2021

The New Industrial Policy (NIP) 1991 took step one in direction of rescuing the Indian economic system from the clutches of socialism. The Strategic Disinvestment Policy (SDP) 2021, detailed in Annexure III of February funds speech, guarantees to be the ultimate step in direction of reaching this purpose.

To absolutely admire the importance of SDP 2021, we should go into the post-Independence financial historical past of India. Jawaharlal Nehru was an avowed socialist. Led by him, Parliament had adopted a decision to determine 'a Socialistic Pattern of Society' in December 1954. A key coverage instrument to attain this goal was to carry a progressively bigger share of manufacturing exercise within the public sector. Being pragmatic moderately than ideological, Nehru selected to extend the share of the public sector by growing its share in funding over time and eschewed nationalisation of personal enterprises.

## **In Public Domain**

This modified beneath his daughter Indira Gandhi. Early in her prime ministership, she was a laborious socialist and went on to nationalise all main banks, the complete insurance coverage sector, all coal mines, and a few of the bigger enterprises in oil refining, metal, copper and textile sectors. Moreover, whereas Nehru had confined the general public sector to heavy trade, she turned each conceivable sector a fair recreation for its entry.

Though the large wave of nationalisation ended by the Eighties, the dependancy to creating public sector enterprises (PSEs) didn't. Even the landmark NIP 1991, which finally ended public sector monopoly in all sectors besides railways and atomic vitality, did not restrain enterprising

bureaucrats and politicians from including ever extra enterprises to public sector kitty.

Though Atal Bihari Vajpayee took the daring step of privatising a quantity of central PSEs (CPSEs), he too was unable to place a lid on their enlargement. The complete inventory of monetary funding within the enterprises, which stood at Rs 2.3 trillion on March 31, 1998, rose to Rs 3.5 trillion on March 31, 2004. This development continued beneath the successor UPA authorities with the full monetary funding in CPSEs rising to Rs 9.9 trillion by March 31, 2014. According to the most recent accessible estimate, the funding had reached Rs 16.4 trillion on March 31, 2019.

It is that this historical past that SDP 2021 proposes to reverse. By placing two nationalised banks and an insurance coverage firm on the privatisation listing, for the primary time, it strikes on the coronary heart of Indira Gandhi-era nationalisations.

More importantly, it proposes to privatise all CPSEs in all sectors apart from 4: (1) atomic vitality, house and defence; (2) transport and telecommunications; (3) energy, petroleum, coal and minerals; (4) banking, insurance coverage and monetary companies. Even in these 4 sectors, SDP 2021 guarantees to restrict the presence of CPSEs to a 'bare minimum', that means that some of them could be privatised.

Bit by bit, CPSEs have acquired presence in all three broad sectors of the economic system within the final seven many years: agriculture, trade and companies. If SDP have been carried out in earnest, the federal government would exit the agricultural sector totally. In trade, it might give up the manufacturing of metal, chemical substances and prescribed drugs, engineering items, transportation automobiles and tools, industrial and client items and textiles. In companies, the exit listing would come with buying and selling and advertising and marketing, consultancy companies of numerous sorts, and inns and tourism.

### **Prove Your Purpose**

Production exercise in these sectors serves no public function. As such, there has by no means been a good rationale for devoting treasured taxpayer cash to it. Now that GoI has introduced its resolution to exit

these sectors, it should disallow future allocations of taxpayer cash to CPSEs in them.

Units needing monetary assets for restructuring or different functions have to be required to boost them out there at industrial phrases.

Sometimes, CPSEs promote their extra land to boost monetary assets. This, too, ought to be off limits, since such land is public property and proceeds from its sale are not any totally different from taxpayer cash. The coverage ought to be to hive off extra land and public sale it for housing or different productive use.

In 1991, implementation of the choice to finish funding and import licensing beneath NIP solely required dismantling of the bureaucratic equipment tasked with issuing licences. In distinction, implementation of SDP 2021 is a advanced long-term mission.

Going by the expertise in the course of the previous 4 years, it stands to motive that the Department of Investment and Public Asset Management (DIPAM) is lower than the duty. Beginning in October 2016, the Cabinet has given approval for privatisation to a number of lists of CPSEs. But DIPAM is but to open its account on this rating.

It has not been in a position to privatise even listed CPSEs wherein the federal government stake is lower than 60%. This failure can hardly be defined by enchantment to fears of future investigation by vigilance businesses, because the process includes merely offloading 10 proportion factors or fewer shares on the listed value in a clear method.

Given the significance of implementing SDP 2021 and the magnitude of the duty, GoI can not go away the duty to DIPAM officers. Instead, it should appoint a separate ministry of privatisation with a technocrat of unimpeachable integrity to go it.

## 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](mailto:chv.aibea@gmail.com)

Web: [www.aibea.in](http://www.aibea.in)