

# ALL INDIA BANK OFFICERS' CONFEDERATION



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Circular No. 2018/47

Date: 26.07.2018

## To All Affiliates (Please Circulate)

Dear Comrade,

### RESTRICTIONS IMPOSED ON DHANALAXMI BANK UNDER PCA AND STATE OF AFFAIRS

We reproduce hereunder our letter No.AIBOC/2018/54 dated 26.07.2018 addressed to the Governor, Reserve Bank of India, Mumbai on the above captioned subject for your information.

With greetings,

(Soumya Datta)  
General Secretary

### Text of AIBOC Letter No.2018/54 dated 26.07.2018

To  
The Governor  
Reserve Bank of India  
Central Office Building  
Shahid Bhagat Singh Marg  
Mumbai – 400001

Dear Sir,

### Restrictions imposed on Dhanalaxmi Bank Under PCA and State of Affairs

At the outset, I wish to submit this representation to your good office in the capacity of General Secretary of All India Bank Officers' Confederation(AIBOC), the apex organisation of supervisory cadre having a membership of over 3,20,000 officers working in various Banks of the country.

2. We wish to highlight a few pertinent points related to the PCA related restrictions enforced in Dhanlaxmi Bank. Over and above the fact that we command the majority membership of the officers community in Dhanlaxmi Bank and we have been performing the function of a 'watchdog' to the Indian Banking Industry at large, the fact that AIBOC is a stakeholder in Dhanlaxmi Bank puts additional responsibility on our shoulders to express our grave concerns.

3. You are aware that Dhanlaxmi Bank has been under PCA regime since 25<sup>th</sup> November 2015 and it has been now 32 months now since the imposition. There were some legacy issues in Dhanlaxmi Bank, which caused a downward spiral in the Bank's performance over the past few years. These issues started from 2009 and went unchecked for quite some time. There were many representations made to your good office from different quarters over the years in this regard and we do not wish to go back to

those issues all over again as we see the Bank's interest would be better served in looking ahead and taking our institution forward.

4. Our affiliate Dhanalakshmi Bank Officers' Organisation (DBOO), which is a very progressive organisation, known for its forthright views, has always been intrinsically associated with the development of the Bank. **DBOO chose the path of discussion / negotiations to move forward even when there were many unreconciled issues of the turbulent past. They chose to leave aside all their unreconciled differences (that had surfaced during the FY 2015-16) to be addressed later, and started working together with the Management as partners-in-progress with all sincerity and earnestness, to turn their beloved institution around.** DBOO is in the forefront of things and even launched a recovery drive all over the country during the last quarter of the FY 2017-18 realising that recoveries are the only way forward in the quest for a positive turnaround. We are informed that these initiatives are well received by everyone and the efforts have been yielding positive results.

5. **When there is perceptible and all-round efforts on the ground to turn the tide, we wish to bring to your kind attention the below points which we feel are important in order to evaluate whether the restricting regime called PCA is still required in Dhanlaxmi Bank.**

- We understand that the Bank has a CRAR of 13.87% as on March 2018
- We understand from our affiliate that the Bank has given instructions down the line to concentrate majorly on Retail and also sound collateral based lending in the days to come. This we feel a good strategy considering the Bank's health.
- We also understand from our affiliate that there is a serious initiative going on in the Bank on the recovery front as well. The Gross NPA as on March 2018 is at Rs.469 Crore (7.69%). This effort is continuing and can only expected to improve further including in the Special Mention Accounts category.
- An analysis of the Balance sheets over the past few years convinces us that another important factor viz; the 'cost to income ratio' has been reducing consistently and a conservative estimation as on March 2018 puts the same just above 67%.

6. We would like to bring to your kind attention that for bringing about any worthwhile results, there should be sufficient number of people on board to offer the best possible service. **But the restriction on 'fresh recruitment' is preventing even filling up of vacancies that arise in the normal course. This restriction is causing impediment in service related issues and is likely to expose the Bank into other serious troubles on many fronts and it is definitely inimical for the effective 'turnaround' of Dhanlaxmi Bank.**

7. We note with consternation that Shri G Vijayaraghavan, an independent Director has recently resigned from the Board of Dhanlaxmi Bank. The resignation letter published by Mr. G. Vijayaraghavan himself is in the public domain and raises very serious and pertinent questions. Coming as it does from a very reputed and successful professional with a proven track record, it needs to be dwelled deep into and not merely restricted to the neatly arranged words and their literal meaning alone. An impartial scrutiny would point fingers at the three nominated Directors of RBI which includes a retired official sitting in Dhanlaxmi Bank's Board. True to his reputation of being a thorough professional and a gentleman to the core, Shri G. Vijayaraghavan has stated that the RBI Directors are getting involved in even very minute matters of the Bank. If his statement is genuine, it definitely implies that the role of the nominated directors of RBI in this PCA clamped Bank has not been proactive as it should have been. On the contrary, it would be deemed retrograde. We have ascertained from our affiliate that many thorough professionals from RBI had previously been the nominated directors in the Bank's Board and had discharged their responsibilities effectively for the development of Dhanlaxmi Bank.

8. We therefore, ponder whether the nominated Directors have been specifically assigned the role to interfere in the day to day affairs of the Bank in the guise of implementing **PCA**, or are they oblivious of their role in providing proactive and positive support / guidance in the development of the Bank?

9. We wish to make it abundantly clear that at no point of time we are opposing the RBI Nominated Directors in the Bank's Boards. In fact, we wish to acknowledge the significant contribution of many such directors nominated by RBI, who commanded great amount of respect and there are many who continue to add value to the respective board that they work in. However, at this juncture when the team is on course for registering a turnaround for the better under the leadership of the new Managing

Director who has just assumed office, we sincerely feel that RBI nominated Directors should support and encourage such moves and should not prove to be an impediment in every move as the letter from Shri G. Vijayaraghavan seems to suggest. We do not see any other reason for the negative feedback that he is attributing to RBI in his letter but for the reports that the nominated directors would have been sending to RBI.

**10. Sir, with all due respect to the senior professionals currently adorning the position of the Nominated Directors in the Board of Dhanlaxmi Bank, we would request your good office to ascertain the present position of the Bank and urge upon your good office take appropriate decisions in this regard including assessment of the number of RBI Directors that is actually required for a Bank of the size of Dhanlaxmi bank.**

11. We take the liberty to raise this matter to you as we feel it is the officers and the employees of this Bank who are the primary stake holders here and it is our bounden duty to protect and safeguard a great institution, which had been serving the Nation for more than 9 decades. For a Bank as small as Dhanlaxmi Bank, with a dedicated workforce, we feel that a turnaround in a real sense is not at all a difficult thing to achieve. You would definitely appreciate that this coming together of the major trade union and the rest of the stakeholders will prove to be a very successful combination to improve the health of Dhanlaxmi Bank.

12. We hope that you will dispassionately assess the issues related to the Dhanalaxmi Bank and initiate the necessary changes to the PCA framework in the light of what has been stated in the foregoing to foster the growth and development of the institution in the days to come.

With best regards,

Yours sincerely,

Sd/-

**(Soumya Datta)**  
**General Secretary**