

# RBI Identifies 12 Defaulters for Insolvency Proceedings

May account for quarter of total bank NPAs; borrowers' names not made public

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**Mumbai:** The Reserve Bank of India (RBI) on Tuesday sought to address potentially about a fourth of around ₹10-lakh-crore non-performing assets (NPAs) on the books of local lenders, mandating that a dozen such accounts be taken to the bankruptcy courts. Although the RBI didn't name any defaulter, bankers say borrowers such as Bhushan Steel, Essar Steel, Lanco, and Alok Textiles may be the first set of companies facing proceedings under stringent recovery laws.

"The IAC (Internal Advisory Committee) noted that under the recommended criterion, 12 accounts totalling about 25% of the current gross NPAs of the banking system would qualify for immediate reference under IBC (Insolvency and Bankruptcy Court)," the RBI said in a statement issued late on Tuesday.

On Monday, the Internal Advisory Committee of the RBI

## A Big Job at Bad Loans

Immediate actions to be taken on all accounts with total outstanding loans greater than ₹5,000 cr, with at least 60% classified as non-performing by banks as on March 31, 2016

Banks will have six months to come up with a resolution plan for other bad loan accounts



Corporate insolvency resolution process needs to be completed within 180 days

### SELECT FACTORS FOR RESOLUTION PLAN

**Business operations** of the firm over the last 2 years

**Financial operations** over the last 2 years

**Take over control** of the affairs of the company and the Board

**If the resolution plan is rejected, the company will go for liquidation of assets**

## PRESENTATIONS MADE TO FINMIN

### Four PSBs on Consolidation Path



Four PSBs— Syndicate Bank, Canara Bank, Vijaya Bank and Dena Bank— have made presentations to finance ministry on their consolidation plans, reports **Dheeraj Tiwari**. ►► 13

recommended referring to the Insolvency and Bankruptcy Court all accounts with total outstanding loans greater than ₹5,000 crore, with at least three-fifths (60%) classified as non-performing by banks as

on March 31, 2016.

"The IAC agreed to focus on large stressed accounts at this stage and accordingly took up for consideration the accounts which were classified partly or wholly as non-per-

forming from amongst the top 500 exposures in the banking system," it said. For other bad loans that do not fall in this category, banks will have six months to come up with a resolution plan, failing which they would also land up in the bankruptcy courts.

"The IAC also arrived at an objective, non-discretionary criterion for referring accounts for resolution under the IBC," the RBI said.

**'Recoveries will be Faster' ►► 19**

# ‘Recoveries will be Faster’

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Since the government came up with an ordinance that empowered the RBI to chalk out plans for addressing the bad loans problem, there was speculation that the banking regulator would get entangled in commercial decisions.

But Tuesday's notification shows that the regulator has kept away from specific cases, providing instead broad and directional guidelines to the lenders.

The Indian banking system is saddled with sticky loans. Bad loans at state-run banks have increased by more

than Rs 1 lakh crore since April 2016 to ₹6 lakh crore as of December 31. This goes up to ₹10 lakh crore when those of private and other lenders are added on.

“Decisions taken on behalf of the banks by the regulator will make recoveries faster,” said Kalpesh Mehta, partner at Deloitte.

“Earlier, banks could not move fast due to bureaucratic processes. Banks should ensure that possible losses arising out of this should reflect in their balance sheets. Lenders need to appoint the right kind of professionals for the proceedings.”

Finance minister Arun Jaitley has

said that the RBI was at a fairly advanced stage of preparing a list of borrowers for which a resolution is required through the IBC process. The problem of bad loans is not systemic, but limited to 30-50 accounts, Jaitley has said on many occasions.

“We have decided to focus on a few large stressed accounts under this framework and accordingly a set of accounts has been identified, based on objective criteria,” RBI governor Urjit Patel said last week.

“The decision on specific accounts out of these to be referred to the IBC, or to be restructured, will be taken under the guidance provided by In-

ternal Advisory Committee.”

The regulator has already shared the list of 50 biggest defaulters with the central government.

The list included companies such as Bhushan Steel, Bhushan Power, Lanco, Videocon, Jaypee Group, Essar, ABG Shipyard, Punj Lloyd, Electrosteel Steels, Aban Holdings, Monnet Ispat, Prayagraj Power, and Era Group, ET reported earlier.

The stressed assets of Indian banks are likely to increase to 15% of total loans by March 2018 amid rising requirements for regulatory capital until 2019, S&P Global ratings said in a report recently.