

A menace to private lenders too

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1

Life Insurance for Seniors

2

Best Investments for Retirement

3

Small Business Ideas

Top 10 wilful defaulters		
Bank	Borrower	Outstanding amount (₹ crore)
Kotak Mahindra Bank	Beta Naphthol	952
Punjab National Bank	Winsome Diamonds & Jewellery	900
Punjab National Bank	Forever Precious Jewellery & Diamonds	748
Kotak Mahindra Bank	Raza Textiles	695
Kotak Mahindra Bank	Rank Industries	551
Central Bank of India	Winsome Diamonds & Jewellery	549
Punjab National Bank	Zoom Developers	410
Axis Bank	Deccan Chronicle Holdings	409
Central Bank of India	Electrotherm (India)	385
Indian Bank	Zoom Developers	340

*Based on data submitted by banks to CIBIL as of December 2015

BL Research Bureau:

News of state-owned Punjab National Bank declaring about 900 borrowers wilful defaulters made headlines on Tuesday. But it is not just public sector banks that are plagued by large wilful defaulters on loans.

Data submitted so far by banks to the Credit Information Bureau of (India) (CIBIL) show that private banks too are grappling with such freeloaders. As of December 2015, the top wilful defaulter among those with outstanding loan balances of over ₹ 25 lakh (where suits have been filed) was Beta Naphthol, which owes Kotak Mahindra Bank about ₹ 950 crore. This is about a third of the bank's bad loans as of December 2015.

Of the top 10 wilful defaulters, three were borrowers of Kotak Bank, while one — Deccan Chronicle — owed Axis Bank a little over ₹ 400 crore. Winsome Diamonds & Jewellery, and Forever Precious were other top defaulters that owed ₹ 900 crore and ₹ 747 crore, respectively, to Punjab National Bank.

What is it?

The RBI lays down four scenarios under which a person or company can be declared a wilful defaulter. One, the borrower fails to meet his dues even if he has the ability to pay. Two, the borrower has diverted the money from the intended purpose. Three, the money is siphoned off and used by the borrower for purposes which are unrelated to his operations. And, four, the borrower, without knowledge of the bank that lent him the money, sells the asset that he bought with the loan funds.

Banks are required to submit the list of wilful defaulters with outstanding loan balances of over ₹ 25 lakh (where suits have been filed) to credit information companies such as CIBIL.

In many cases, such borrowers have defaulted across banks. For instance, Zoom Developers is named a wilful defaulter by State Bank of Patiala, Andhra Bank, PNB, Indian Bank, OBC, Karnataka Bank, State Bank of Bikaner & Jaipur and Federal Bank. The company owes these banks about ₹ 1,200 crore as of December 2015 (some banks are yet to submit their data for the quarter).

Winsome Diamonds is another company that owes about ₹ 2,000 crore to several banks. Listed company REI Agro too has loan outstanding of over ₹ 500 crore across multiple lenders.

Recently, the Finance Standing Committee of Parliament called for forensic audit of all wilful defaults. Of the 6,600-odd cases filed by banks and financial institutions, the top 200 wilful defaults account for about half the amount due as of September 2015.

Wilful defaulters owed banks nearly ₹ 64,000 crore as of September 2015, about one-and-a-half times the amount they owed last year. This is close to 20 per cent of banks' bad loans.

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