

Banks may put Rs. 3-lakh cr of bad loans on the block in 2017: Arcil

Our Bureau



Mumbai, January 8:

Once the Insolvency and Bankruptcy Bill is passed, the sale of bad loans to asset reconstruction companies (ARCs) could improve substantially to 30-35 per cent of the loans put on the block by banks and financial institutions from the current 10-15 per cent, according to a top Arcil official.

The Bill, introduced by Finance Minister Arun Jaitley in the Lok Sabha on December 31, seeks to promote entrepreneurship and the availability of credit.

Bankruptcy Code

It also seeks to balance the interests of all the stakeholders by consolidating and amending the laws relating to the reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time-bound manner and for maximisation of the value of the assets.

Vinayak Bahuguna, MD and CEO, Asset Reconstruction Company of India Ltd (Arcil), said at a press meet here that the next 6-12 months could see intense acceleration in the sell down of loans by banks.

One of the triggers for the move will be the implementation of the Bankruptcy Code.

He observed that every bank will feel compelled to consider the option of working with ARCs.

Bahuguna further said banks could put bad loans aggregating Rs. 3 lakh crore on the block in calendar 2017.

Greater strength

They are expected to put up bad loans of Rs. 1 lakh crore in FY2016. In the first half, they sought to sell loans worth Rs. 50,000 to ARCs.

Arcil bought Rs. 500 crore of the Rs. 7,000 crore worth of bad loans sold by banks to ARCs in the first half.

The Arcil chief emphasised that banks are better off offloading their bad loans in the retail and MSME (micro, small and medium enterprises) segments to ARCs and channelising their energies on making recoveries from large corporate accounts.

“Banks don’t have the bandwidth to handle lakhs of small bad loan accounts. Their ability to handle large accounts is better,” he pointed out.

Asset buys

Arcil President Sanjay Jain said the company focussed on recoveries in the first half of this fiscal. In the fourth quarter, it will step up assets buys that could aggregate about Rs. 2,000 crore.

Bahuguna said Arcil has enough funds to pick up bad loan portfolios from banks over the next six months.

In view of the RBI deadline of March 2017 for cleaning up banks’ balance sheets — and the strategic debt restructuring (SDR) of large corporates gathering pace in its wake — he felt ARCs will be in the thick of action.

Banks ought to offload their bad loans in the retail and MSME segments to ARCs and focus on recovering loans from large corporate accounts, said Vinayak Bahuguna, MD and CEO of Arcil

(This article was published in the Business Line print edition dated January 9, 2016)

MORE FROM BUSINESS LINE

[The rise and fall of Emperor Modi](#)

[When Jayalithaa floored the Royal Enfield team](#)

[Cyclone 'Vardha' slows down, but retains strength](#)