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SBI, State Bank of Travancore sell Kohinoor arm's loans to Edelweiss ARC

By Sangita Mehta, ET Bureau | Updated: Jan 04, 2016, 11.05 AM IST

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MUMBAI: The State Bank of India

(SBI) along with its associate bank State Bank of Travancore has sold loans extended to a unit of Kohinoor Group, owned by a former chief minister of Maharashtra, as the company is struggling to repay its liabilities primarily due to a slowdown in the real estate business.

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The two banks sold close to Rs 250 crore worth of loans given to Kohinoor CTNL Infrastructure to Edelweiss Asset Reconstruction Company (ARC), said people familiar with the matter.

Kohinoor CTNL Infrastructure is a special purpose vehicle owned by the Kohinoor Group. National Textile Corporation (NTC) had auctioned Kohinoor Mills, spread over 4.9 acres, in 2005. Back then, Kohinoor Group, owned jointly by former Maharashtra CM Manohar Joshi and then Shiv Sena leader Raj Thackeray, emerged as the highest bidder for Rs 421 crore for the mill in Dadar. Speaking to ET, Siby Antony, managing director of Edelweiss ARC, confirmed that the ARC has acquired loans from the two banks. "These are good assets, but they require last-mile funding. Edelweiss ARC will now look at various options to fund the project," he said.

Ground Reality

Co's project – Kohinoor Square – is developing a mix of residential, commercial & hospitality facilities, which are under construction

Project, which begun in 2009, has outstanding loans of ₹1,231 cr

ICRA noted that co's project cost escalated to ₹3,430 cr from ₹2,100 cr estimated earlier

Currently, project is expected to be completed by April 2016

The company would require an additional Rs 200 crore to complete loan of the project. The ARC has acquired close to 35 per cent of the total outstanding loan. SBI, however, did not respond to a mail sent by ET.

The company's project - Kohinoor Square - is developing a mix of residential, commercial and hospitality facilities, which are under construction. The project, which begun in 2009,

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has outstanding loans of Rs 1,231 crore, said rating company Icria in a report released in June 2015. Icria noted that the company's project cost escalated to Rs 3,430 crore from Rs 2,100 crore estimated earlier.

"The project had been put on hold for the past year owing to certain regulatory issues, resulting in significant time and cost overruns," said Icria. "The company, however, achieved a settlement with the Municipal Corporation of Greater Mumbai (MCGM) in January 2014 for the resumption of the project. Currently, the project is expected to be completed by April 2016," it added.

The rating company said it has taken a positive note of the fact that the company has a strong backing of IL&FS Group which has invested Rs 770 crore in the project, as well as Kohinoor Group's established track record in the Mumbai's real estate market. In the absence of demand for loan and slowdown in the economy, banks are saddled with loans on which borrowers have defaulted. Stressed loans, including restructured loans and those on which borrowers have defaulted, swelled to 11.1 per cent of all loans in March 2015 from 9.2 per cent a year ago. As a result, banks are selling some of their stressed loans to ARCs.

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