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# NPA sales down to a trickle of just 2 per cent of total bad loans

By PTI | Updated: Jul 07, 2016, 07:59 PM IST

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MUMBAI: Notwithstanding rising bad loan problems in the system, sale of stressed assets to asset reconstruction companies (ARCs) in 2015-16 was only a trickle of the NPA mount at 2 per cent of the total of nearly Rs 5.8 trillion, which is down a whopping 20 per cent from previous year, says a report.

"The overall loans sold in FY2016 were lower by 20 per cent y-o-y and around 15 per cent of the overall loans in the banking system," Kotak Institutional Equities said today in a report that is based on the analysis of 33 public and private banks.

The report did not offer any reasons for the massive dip in the sales, but it can be noted that banks are not happy with the cheap valuation that ARCs are offering while these companies are capital starved to make the higher upfront payments to the banks. The report also did not quantify the total amount of bad loans sold to ARCs.

As per RBI, total NPAs in the system jumped to 7.6 per cent in 2015-16, up from 4.6 per cent in the previous fiscal, which it warned could jump to a whopping 8.5 per cent by this fiscal end. The total stressed assets including NPAs stood at a staggering 13 per cent or over Rs 8 trillion in 2015-16.

State-run banks sold 75 per cent of their overall bad loans, lower than the 90 per cent of loans sold in 2014-15.

Axis Bank sold the largest quantity of loans but at a significant loss. The SBI Group, however, had the largest share of loans sold at 33 per cent of the overall loans compared to over 60 per cent in 2014-15.

Allahabad Bank and Central Bank were the two large public sector banks which sold a high share of their loans to ARCs last year.

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