

Sharp rise in number of cases to recover banks' bad loans

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CIBIL list shows lenders turning legal heat on defaulters to recover ₹1.8 lakh crore

Top 15 defaulters as of December 2015		
Lender	Defaulter	Amount*
SBI	Kingfisher Airlines	1,201
SBI	Hukumchand Mills	1,169
State Bank Of Travancore	GET Power	1,116
Punjab National Bank	Winsome Diamonds & Jewellery	900
Citibank N.A.	Etisalat Db Telecom Private Ltd	807
Punjab National Bank	Forever Precious Jewellery Diamond	748
Central Bank Of India	Winsome Diamonds & Jewellery	700
ICICI Bank	Shiv-Vani Oil and Gas Exploration Services	639
Punjab National Bank	Kingfisher Airlines	597
Indian Overseas Bank	Dewa Projects Pvt Ltd	537
Corporation Bank	Rel Agro	532
SBI	Surya Pharmaceuticals	526
ICICI Bank	Tulip Telecom	495
ICICI Bank	Deccan Chronicle Holdings	481
Indian Overseas Bank	Rel Agro	476

Source: CIBIL; suit-filed case of loans above ₹1 crore. * In lakh outstanding (₹ crore)

BL Research Bureau:

While the RBI and the Supreme Court are locked in a tussle over disclosure of the names of high-profile defaulters, banks are increasingly taking legal recourse to recover their mounting pile of bad loans.

According to data published by the Credit Information Bureau (India) Ltd (CIBIL), as of December 2015, banks and financial institutions had filed over 12,300 cases in respect of loans above ₹ 1 crore.

Defaulters in these cases owed banks about ₹ 1.8 lakh crore as of December 2015, more than double the amount in the previous year. Just the top 20 borrowers owe banks about ₹ 13,000 crore as of December 2015.

Banks normally file a suit as a last resort to secure recovery, and the number of 'suit-filed' bad loans --- as they are called --- now accounts for over 40 per cent of the total bad loans.

Top defaulters

Kingfisher Airlines tops the list of defaulters, owing ₹ 1,200 crore (under suit-filed accounts) to SBI, the largest lender.

Other big-money defaulters are Hukumchand Mills (₹ 1,169 crore), GET Power (₹ 1,115 crore), Winsome Diamonds and Jewellery (₹ 900 crore), Etisalat DB Telecom (₹ 807 crore) and Forever Precious Jewellery (₹ 747 crore).

Banks and financial institutions submit the list of suit-filed accounts of ₹ 1 crore and above, and provide quarterly updates to CIBIL and to the RBI. They also submit the list of suit-filed accounts (wilful defaulters) of ₹ 25 lakh and above.

A long-drawn battle

Banks take 15 years in some cases to recover their money, and the delay erodes the value of the assets substantially. According to a World Bank report, creditors in India recover only 25 cents to a dollar, compared to 36 cents in China and 80 cents in the US.

The long-drawn process involved in litigation has impeded recovery. Many of the defaulters on CIBIL's list have remained there for the past 2-3 years. Kingfisher Airlines, Etisalat DB Telecom, Deccan Chronicle, Zoom Developers and Electrotherm have been on the list of defaulters since December 2012.

In many cases, borrowers have defaulted across banks. The defunct Kingfisher Airlines owes big amounts to various banks: SBI, Corporation Bank, PNB, State Bank of Mysore, Bank of Baroda and Federal Bank, Oriental Bank of Commerce and Axis Bank have all filed cases to secure total dues of about ₹ 3,300 crore. The total amount in default, which includes loans on which banks have not yet filed a suit, is higher.

The other big names against whom multiple lenders have filed suits are Winsome Diamonds (which owes a total of about ₹ 2,100 crore), Deccan Chronicle (₹ 3,500 crore), Electrotherm (₹ 1,600 crore), REI Agro (₹ 1,590 crore), Surya Pharmaceutical (₹ 1,400 crore), Tulip Telecom (₹ 1,400 crore) and Varun Industries (₹ 1,000 crore).

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Among other listed companies, Bartronics, Clutch Auto, Daewoo Motors, Shree Ganesh Jewellery and Spanco owe a total of ₹ 100-800 crore to various lenders.

Foreign banks too

PSU banks, which are the most exposed to defaults, have filed the most number of cases against defaulters, but foreign banks are not immune to bad loans. As of December 2015, foreign banks have filed about 300 cases, almost four times the number of cases filed a year earlier. The top defaulters with foreign banks are Etisalat DB Telecom, Hindustan National Glass and Industries, Tulip Telecom and Ashapura Minechem.

Aside from banks, a few financial institutions have also filed cases. LIC, for instance, has filed 70-odd cases against defaulters, who owe it about ₹ 8,200 crore. Among its top defaulters are Deccan Chronicle, Hamco Mining and Smelting, Punjab Wireless, Tulip Telecom and Padmini Technologies. Specified Undertaking of Unit Trust of India (SUUTI), too, has taken legal action against borrowers who owe it a total of about ₹ 1,300 crore as of December 2015.

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