

In FY17, banks went easier on defaulters

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Top 20 borrowers (as of March 2017)		
Lender	Defaulter	Amount*
SBI	Hukumchand Mills	1,749
Standard Chartered Bank	Etisalat DB Telecom	1,466
SBI	Kingfisher Airlines	1,201
Citibank NA	Etisalat DB Telecom	807
SBI	KS Oils	784
SBI	JC Mills	704
Andhra Bank	VMC Systems	658
Axis Bank	Sevenhills Healthcare	611
Andhra Bank	Transstroy (India)	584
Jammu and Kashmir Bank	REI Agro	558
Corporation Bank	REI Agro	532
SBI	Surya Pharmaceuticals	526
Standard Chartered Bank	ABG Shipyard	494
Allahabad Bank	Kemrock Industries And Exports	444
SBI	Shree Ganesh Jewellery House (I)	430
SBI	GET Engineering Construction	424
SUUTI	Malvika Steel	421
Standard Chartered Bank	Winsome Diamonds And Jewellery	414
Axis Bank	Deccan Chronicle Holdings	409
SBI	ABC Cotspin	404

Source: CIBIL; suit filed case of loans above ₹1 crore; * loan outstanding (₹ cr)

Bad-loan suits drop after rising sharply in the preceding 2 years

BL Research Bureau: While the RBI has been pushing for an action plan to implement the NPA (non-performing asset) ordinance, banks have been somewhat lax in taking legal recourse to recover bad loans.

According to data published by Credit Information Bureau of (India), of the 9,500-odd cases filed by banks and financial institutions, in the case of loans above Rs. 1 crore, defaulters owed banks about Rs. 1.5 lakh crore as of March 2017, which is 9 per cent lower than the amount in the previous year.

As of March 2016, banks had filed around 11,500 cases on Rs. 1.7 lakh crore worth of outstanding loans. The decline follows the sharp increase in suits filed in the preceding two years.

Banks that normally file a suit as a last resort for recovery took this route more often between 2014 and 2016. As of March 2015, bad-loan suits had shot up 68 per cent (in value) over the previous year, followed by a further 47 per cent in March 2016. Banks and financial institutions submit the list of suit-filed accounts of Rs. 1 crore and above, and quarterly updates to CIBIL as well as the RBI. According to a few bankers, there are three key reasons for the drop in suits filed: one, banks have been increasingly selling their bad loans to asset reconstruction companies (ARCs). As such sales immediately take the bad loan off the banks' books, these cases may not appear in CIBIL records. In 2016-17 banks sold bad loans worth Rs. 40,000 crore to ARCs, against Rs. 20,000 crore sold in 2015-16.

A few bankers also believe that in some cases filed in the past, banks might have reached a one-time settlement with borrowers.

Also, with the RBI rolling out new tools for restructuring loans and dealing with NPAs — Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets — it is likely that banks did not file as many fresh cases as in the past. “Banks have been awaiting clarification on various guidelines from the RBI regarding NPAs

over the past year. Also, expectations ran high on some relief from the Centre and the RBI on the bad loans front. This could have kept banks from taking legal recourse to recover bad loans,” says Nirmal Gangwal, Managing Director, Brescon Corporate Advisors, a corporate debt restructuring advisory firm.

Also, he believes that given the uncertainty in the banking system, decision-making has slowed.

“Weak finances of banks could be another reason. Filing cases to recover bad loans would require banks to make higher provisioning, depending on the assessment of the underlying collateral,” adds Gangwal.

Top borrowers

As of March 2017, the top 20 borrowers owed banks about Rs. 13,600 crore.

Hukumchand Mills tops the list, owing around Rs. 1,700 crore to largest lender SBI. This is followed by Etisalat DB Telecom, Kingfisher Airlines, KS Oils, JC Mills and VMC Systems, among others.

Many of the defaulters in the CIBIL list have been featuring time and again over the last two to three years. Kingfisher Airlines, Etisalat DB Telecom and Deccan Chronicle are a few names that have been in the list since March 2014. In many cases, borrowers have defaulted across lenders. SBI, Kotak Mahindra Bank and IFCI are lenders that have filed cases against Hukumchand Mills, for total dues of about Rs. 1,750 crore.

Etisalat DB Telecom (Rs. 2,273 crore), Kingfisher Airlines (Rs. 1,633 crore), Deccan Chronicle Holdings (Rs.760 crore), and REI Agro (Rs. 2,725 crore) are among other big-ticket listed names against whom multiple lenders have filed suits.

LIC too

Aside from banks, a few financial institutions have also filed cases. The Specified Undertaking of Unit Trust of India (SUUTI), for instance, has filed 90-odd cases against defaulters, who owed it about Rs.1,280 crore as of March 2017.

As of December 2016, LIC, too, had filed 30-odd cases against defaulters, who owed the insurer about Rs.3,340 crore. Deccan Chronicle, Hamco Mining and Smelting, Punjab Wireless, Tulip Telecom and REI Agro were some of its top defaulters.

The spike in sale of bad loans to ARCs, slower decision-making and one-time settlements with borrowers are key reasons for the fall in suits filed

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