

RBI provides banks first list of 6 stressed accounts including Monnet Ispat, Alok Industries Bhushan Power, and Electrosteel Steels

By: [Shayan Ghosh](#) | Mumbai | Published: June 16, 2017 6:44 AM



The RBI said it had identified 12 stressed accounts that would need to be resolved via the IBC. (Reuters)

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Bankers have received from the Reserve Bank of India (RBI) the first list of six stressed accounts that they must resolve via the Insolvency and Bankruptcy Code (IBC), senior executives familiar with the development said. The bankers added that the central bank had asked them to refer the cases to the National Company Law Tribunal (NCLT) within a fortnight. The companies, with a combined debt of Rs 1.6 lakh crore, include Essar Steel, Bhushan Steel, Bhushan Power & Steel, Monnet Ispat, Alok Industries and Electrosteel Steels. On Tuesday, the RBI said it had identified 12 stressed accounts that would



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need to be resolved via the IBC. These are accounts to which lenders have an exposure of more than Rs 5,000 crore and more than 60% of which have been recognised

as NPAs. While lenders with exposure to these NPAs have been asked to resolve them using the IBC, they could also explore other methods of resolution, sources said. Bankers are expecting the names of six more near-bankrupt companies soon. "There is no time or no space for inaction. We have been given 15 days to act," one of the bankers said.

With a gross debt of Rs 44,477.93 crore as on March 31, 2016, Bhushan Steel is probably the single largest toxic exposure that banks have on their books. The Essar Steel account too is fairly large, with lenders having disbursed some Rs 37,284 crore. Bhushan Power & Steel, which owes banks around Rs 37,248.26 crore, is another account that is in trouble. Lenders have a slightly smaller exposure to Alok Industries (Rs 22,075.15 crore), Monnet Ispat and Energy (Rs 12,115 crore) and Electrosteel Steels (Rs 10,273.59 crore). Once these cases are referred to IBC, the lenders to these companies would need to set up a committee that will come up with a plan for resolution. If that cannot be done in a period of 180 days — this can be extended to 270 days — the borrowing entity will go into liquidation.

"We estimate a couple of large steel companies account for around 50% of this and the rest of the names are from textile and construction sectors," analysts at Credit Suisse wrote in a note. They added that these resolutions would need additional provisions. "We estimate 40-60% provision would be needed on the steel accounts and even larger provisions for the others," the analysts opined.

The RBI has indicated it would shortly come out with changes in provisioning needs for cases referred to the IBC, which may defer immediate provisioning needs.

These total exposure to the 12 companies adds up to a little over Rs 2 lakh crore, or about 30% of the Rs 7 lakh crore worth of gross NPAs in the banking system. The central bank has said the 12 accounts on the list constitute about 25% of the current gross NPAs of the banking system.

Some analysts believe loan accounts of the Jaypee, GVK, GMR and/or Abhijeet groups could be part of the list. Yet others say divergences among banks regarding the classification of such

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■ These cases must be referred to NCLT to be resolved via IBC

■ Essar Steel, Bhushan Steel, Bhushan Power & Steel, Monnet Ispat, Alok Ind. and Electrosteel Steels.



■ RBI has picked 12 accounts, each more than ₹5,000 crore, to be resolved via IBC; 60% of this amount has already been recognised as NPAs.

accounts make it difficult to say with certainty which accounts are on the list.

In early May, the President had approved an ordinance amending the Banking Regulation Act, 1949, giving more powers to the RBI to deal with NPAs. Earlier, the Cabinet had approved a proposal to amend Section 35 of the BR Act.

The extent of the NPA problem can be gauged from the fact that around Rs 10 lakh crore of loans are either non-performing or stressed; this is roughly 12% of total loans. According to Capitaline data, the total bad loans of 37 banks stood at Rs 7.1 lakh crore in FY17, up 25% from last year.