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With lens on Rs 5 lakh crore of loans, government turns focus on 50 top stressed accounts

BY DHEERAJ TIWARI, ET BUREAU | MAY 30, 2017, 09.35 AM IST

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NEW DELHI: About 50 stressed accounts have been identified as being on the watch list of the government, the Reserve Bank of India and, in some cases, vigilance agencies, according to several officials.

The list includes Videocon Industries Ltd; Jindal Group firms such as Jindal Steel and Power Ltd; Punj Lloyd; Jaypee Group; Lanco, which includes Lanco Infratech; Monnet Ispat; Essar Ltd; and Bhushan Steel.

The list represents stressed accounts, which includes loans that have turned bad or been restructured as of December 2016. The total value of such top 50 loans is estimated to be around Rs 4-5 lakh crore, which is almost 80-85% of the total bad loans for state-run lenders. Bad loans at state-run [banks](#) have grown more than Rs 1 lakh crore since April 2016 to Rs 6 lakh crore as of December 31.

To be sure, some of these accounts are facing stress but are yet to be classified as a non-performing loan across all lenders. As per [RBI](#) classification, some of these accounts also fall under Special Mention Account (SMA) categories 1 & 2, which means interest payment is overdue by up to 90 days.

Some of these names have already been shared with the Prime Minister's Office in presentations made on resolving non-performing assets (NPAs).



The list represents stressed accounts, which includes loans that have turned bad or been restructured as of December 2016.

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Videocon... 1.20 (4.83%)**Punj Lloyd** 0.15 (0.57%)**Jindal St...** 17.40 (7.28%)

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Big Worry

TOTAL EXPOSURE* (₹ Cr)

Bhushan Steel	90,000
Videocon Industries	58,000
Jaypee Group*	55,000
Essar Ltd	50,000
Jindal Group*	38,000
Alok Industries	25,000
Lanco*	19,000
ABG Shipyard	15,000
Punj Lloyd	14,000
Electrosteel Steels	14,000
Aban Holdings	13,000
Monnet Ispat	12,000
Prayagraj Power	12,000
Era Group	7,000

*Exposure of entire group; As of Dec '16
Source: Data submitted by banks to govt

"Inputs have come from lenders and some of these names are a constant both in sectoral stressed assets and stressed assets by value," said a senior government official aware of the deliberations, adding the concern is that this quarter some telecom companies may get included in the list. The debt-heavy sector is struggling to cope with a tariff war amid the entry of Reliance Jio Infocomm.



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Earlier this month, two state-run lenders classified the debt of Videocon Industries as [NPA](#).

The government and the banking regulator are keen on resolving NPAs, which are a key risk for economic growth.

Finance minister Arun Jaitley has on various occasions said that the problem of bad loans is not systemic but is limited to 30-50 accounts.

"It is not a problem spread over hundreds or thousands of accounts and given the size of the Indian economy, it is possible to deal with the NPAs," Jaitley said in April during a trip to New York.

Earlier this month, the government promulgated the Banking Regulation (Amendment) Ordinance, 2017, giving more powers to RBI to deal with stressed assets.

Another government official confirmed some of these names and said the estimated total outstanding exposure in these 50 accounts stands at around Rs 4-5 lakh crore. "These are estimates, (and) as some of these are group accounts, they do not reflect a clear picture as some of the small-value lending done to standalone units has not been yet captured," he said.

A finance ministry official said most of these accounts are under close scrutiny and steps are being taken to identify the issues and possible remedial measures, which include takeovers by other promoters, extensive restructuring and in, some cases, a forensic audit where there are suspicions of malfeasance.

"The current position is that RBI has reached out to the banks seeking status of some of these accounts. Banks have and continue to explore all possible options," he said, adding that the central bank will try and speed up the process in some cases.

The central government can also direct the Serious Fraud Investigation Office to examine company accounts under Section 212 of the Companies Act, 2013.

ET View

Use The Bankruptcy Code

Vigil is in order. Having empowered the RBI to give directions to banks to take action against defaulters under the bankruptcy code, and shield bankers from individual accountability for decisions, the need is to swiftly appoint resolution professionals and put the bankruptcy code to use. A clean-up of banks' books will enable better credit flow and revive growth. A change in bankers' remuneration to bring performance in line with the assets they originate is also overdue.

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