

SBI to start insolvency proceedings against 12 defaulters from today

By [Sangita Mehta](#), ET Bureau | Updated: Jan 02, 2018, 07.25 PM IST

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SBI is not the lead bank in all the cases that it's referring to NCLT but is among the largest lenders.

against at least a dozen defaulting companies including [Videocon](#) [BSE 4.88 %](#) Industries after failing to recast their loans by the December deadline.

The country's largest bank in terms of assets will refer Videocon Industries, Visa Steel, Monnet Power, Uttam Steel, Essar Projects, Videocon Telecom, Jaiswal Neco and Jai Balaji to the [National Company Law Tribunal](#)(NCLT) starting Tuesday, when it reopens after the Christmas and New Year break.

The Reserve Bank of India had in August issued a second list of 28 defaulting companies asking banks to resolve the loans by December 13 in accordance with a formula that it prescribed. If they failed to do so, the banks were directed to refer the cases to the tribunal.

RBI had told banks to start insolvency proceedings directly against the 12 on its first list, which was issued in June.

The dozen included companies such as Essar Steel, Bhushan Steel, ABG Shipping and Lanco.

Banks have an exposure of close to Rs 2 lakh crore to the second list of companies. Referring companies to the NCLT means banks having to make higher provisions, which is expected to dent their earnings this year. RBI has directed banks to set aside 50% as provisions on loans that are referred to the NCLT and 100% in case of liquidation. The regulator has given banks time till March 2018 to make these provisions.



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Barring a handful of loans on the second list such as Jaiprakash Associates, Soma Enterprise and Anrak Aluminium, where recast is complete, the rest will be referred to [bankruptcy](#) court, said people aware of the matter.

The biggest of the 28 cases is Videocon Industries at Rs 19,000 crore. Banks led by SBI BSE -0.02 % have shortlisted Alvarez and Marsal as the interim resolution professional for Videocon Industries.

Of the 28, lenders have already initiated insolvency proceedings against Nagarjuna Oil Refinery, Uttam Galva Metaliks, IVRCL, SEL Manufacturing, Castex Technologies, Orchid Pharma, Ruchi Soya, Ushdev International, Coastal paper and Unity Infraprojects.

SBI is not the lead bank in all the cases that it's referring to NCLT but is among the largest lenders. Allahabad Bank is the lead bank in Jai Balaji but in early December, it sold its loan to Edelweiss ARC. SBI has thus taken the lead to refer Jai Balaji to NCLT.

Banks will have to resolve these debts by August or September depending on when they were referred to NCLT, or liquidate the assets of the company. Lenders have already prepared an evaluation matrix which will have qualitative and quantitative parameters to shortlist bidders for companies under insolvency.

The quantitative parameter includes upfront cash while qualitative parameters refer to the financial track record of the bidders and their ability to turnaround stressed assets.