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Government expects state-run banks to cut bad loans by Rs 3 lakh crore in FY19

BY [DHEERAJ TIWARI](#), ET BUREAU | UPDATED: MAY 30, 2018, 06.20 AM IST

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The government is hopeful state-run banks will be able to slash **bad loans** by as much as Rs 3 lakh crore this financial year, mostly through debt resolution under the **Insolvency and Bankruptcy Code** (IBC). Public sector banks (PSBs) won't need capital infusion in excess of what's planned thanks to this as they improve their performance and raise resources through the sale of non-core assets, officials said.

"In some cases, promoters have already started paying off their debts for fear of losing their company, which has led to reduction of debt," one of the officials said. **Bhushan Steel** is the lone case that has been resolved under the IBC of the 12 large defaulting accounts identified by the **Reserve Bank of India** (RBI) in June 2017. The government has said this will lead to a reduction of Rs 35,000 crore in non-performing assets (NPAs) at state-run lenders. Financial services secretary Rajiv Kumar had tweeted that the stateowned banks would get an incomen boost of about Rs 7,500 crore from writebacks following the debt resolution.

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IN SOME CASES, BANKS MAY recover higher amounts than their exposure



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₹88,000 cr disbursed so far of **₹1.53 lakh crore capital infusion plan**

"In some cases, banks expect to recover higher amounts than their exposure," said the official cited above, referring to the instance of Binani Cement where lenders are set to receive Rs 6,851 crore against claims of Rs 6,313 crore, following competition among bidders for the asset.

The official said that in cases where banks had to take haircuts, they hold equity that could fetch higher returns when companies reduce loans and valuations rise. "In Monnet Ispat, the lenders will hold around 18% equity stake," he said.

Another finance ministry official said the government is not looking to infuse capital in addition to what has been planned.

It has already disbursed around Rs 88,000 crore of the Rs 1.53 lakh crore capital infusion programme until FY19.



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“As more capital is freed up due to reduction of NPAs, banks will be able to lend further. All large cases of NPAs have already been taken into account in this quarter, so we don’t expect a surprise in the coming quarters,” he said. “Banks are also looking to tap markets and sell their non-core assets, so our projections are that we won’t require more than Rs 65,000 crore in the fiscal.”

Most public sector banks posted losses in the last quarter of FY18. Market estimates suggest the combined losses of state-run lenders may cross Rs 50,000 crore. Gross NPAs at state-run banks stood at around Rs Rs 7.77 lakh crore at the end of December.

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