

# Delay in resolving insolvency cases has cost banks ₹25,000 cr

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That's the interest till date on ₹2-lakh crore of loans that the top 10 defaulters owe lenders

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The inordinate delay in the insolvency resolution process against the top 10 defaulter companies has already led to a notional a loss of ₹25,000 crore to the banking sector. The RBI had in June 2017 directed banks to file insolvency proceedings against the top 12 defaulters.

Of the 12 top defaulters, which owe a total of ₹2.5-lakh crore, two companies — Bhushan Steel and Electrosteel Steels — have found buyers, with the banks taking a significant hair-cut and settling for recovery of ₹50,000 crore.

The interest chargeable on the remaining debt of ₹2-lakh crore works out to ₹25,000 crore as the levy on these loans had come to a halt in the last one year, after the NCLT accepted these cases for insolvency proceedings.

The loss would be much higher if the loss of interest on the loans of Bhushan Steel and Electrosteel during the moratorium period of over 270 days that is prescribed under the Insolvency and Bankruptcy Code (IBC) is included, said a banker.

# TOP 10 DEFAULTERS

Lanco Infra	44,364
Essar Steel	37,284
Bhushan Power & Steel	37,248
Alok Industries	22,075
Amtek Auto	14,074
Monnet Ispat	12,115

Era Infra	10,065
Jaypee Infra	9,635
ABG Shipyard	6,953
Jyoti Structures	5,165

## Bleeding ₹15 crore a day

In fact, lenders are losing about ₹15 crore a day of interest income in the case of Essar Steel alone, and the loss could skyrocket with no early resolution in sight, he said.

Before the companies were referred for insolvency, banks were getting a huge chunk of the company's revenue as settlement for loan outstanding and the current upswing in steel demand would have ensured more money for banks, he added. The worst among the lot are the insolvency cases against infrastructure and power companies, which have attracted very few bids, and even then only at rock-bottom prices.

In the case of Bhushan Steel and Electrosteel, too, the banks had to take a substantial hair-cut.

Lenders have forgone 60 per cent of the loan while transferring the stressed assets of Electrosteel to the Anil Agarwal-owned Vedanta for ₹5,320 crore.

For Bhushan Steel, the banks wrote off 37 per cent of its loan when Tata Steel won a bid for the company's assets for ₹35,200 crore.

Notwithstanding the hair-cuts and delays in debt resolution, bankers prefer the insolvency process under the IBC as it is transparent, and officials cannot be blamed for malpractice well after their retirement from professional life.

While questions are being raised on the effectiveness of the IBC, defaulting promoters have come to terms with the fact that they stand to lose their companies if they overstretch themselves, said an official of leading audit firm working as resolution professional in defaulted companies.

He said banks are now threatening defaulters to pay up by seeking resolution professional fee, even while preparing to move the NCLT.

With no time-bound resolution in sight banks will continue to lose revenue from the second list of insolvency filed against 28 companies with loan outstanding of ₹2 lakh crore as interest moratorium will start once NCLT accept the cases.

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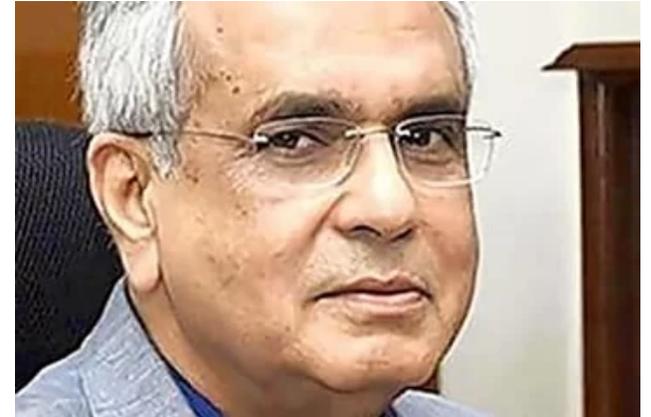
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