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Market Watch

Banks may get just a quarter of claims from 12 debt cases

BY [ATMADIP RAY](#), ET BUREAU | APR 30, 2019, 08.17 AM IST

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KOLKATA: [Banks](#) would realise just about a quarter of their claims from 12 corporate debt resolution cases in January-March 2019, dashing hopes of higher [bad loan](#) recovery in the last quarter of the last fiscal.

In the March quarter, the realisation by banks was 24% of their claims, in comparison to 43% overall.

The lenders will receive merely 17% of the Rs 29,500 crore dues from Alok Industries, raising doubts over future realisation. “This is a matter of serious concern. This shows that either there are no tangible assets to back the loans or the assets were overvalued,” United Bank of India chief executive Ashok Kumar Pradhan said.

The overall bad loan recovery through bankruptcy courts has remained dismal in the first two years of the [Insolvency and Bankruptcy Code](#).

Banks could realise 43% of the claims in 94 loan default cases that have been resolved after the corporate insolvency resolution process came into effect from December 2016, data from Insolvency & Bankruptcy Board of India showed.

However, the extent of recovery has been a concern ever since. [JSW Steel](#) offered about Rs 19,300 crore for Bhushan Power & Steel which was saddled with debt of Rs 47,300 crore, while Electrosteel Steels’ Rs 13,300-crore debt was resolved at Rs 5,300 crore.

About 1,858 corporate debts have been admitted into the National Company Law Tribunals([NCLT](#)) by end of March, 2019. Of these, 152 have been closed on appeal or review or settled, 91 have been withdrawn; 378 have ended in liquidation. Just about 94 cases have been resolved or 13% of the total cases admitted for resolution.

The Insolvency and Bankruptcy Board of India said 75% of the companies ending in liquidation (283 out of 378) were earlier with BIFR or defunct with no economic value in most of them.

“The 24% does not mean banks had to write off 76% of their claims,” explained Vinod Kothari, a senior chartered accountant. In fact, he said, a large part of the claims might have been provided for by way of bad loan provisions over time.

Most banks have provided 75-100% for bankruptcy cases and therefore recovery against such cases would add directly to their profitability to the extent of the provision made. “Once the deadwood of the past is cleared the rate may improve,” Kothari said.

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