

NPA recovery target in jeopardy on Essar Steel

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NEW DELHI:

The delay in actual realisation from the resolution of the big-ticket cases like [Essar Steel](#) has put the [non-performing assets \(NPAs\)](#), or bad loans, recovery target by banks of ₹1.8 lakh crore in jeopardy.

A section of the Finance Ministry, however, believes the target of ₹1.8 lakh crore could be deemed to have been achieved as the decision of National Company Law Tribunal (NCLT) on the sale of the Essar company to ArcelorMittal for ₹42,000 crore was taken in the current fiscal.

A senior ministry source said the public sector banks (PSBs) have recovered close to ₹1.33 lakh crore by the third week of March, leaving a gap of ₹47,000 crore in meeting this year's target.

The achievement of ₹1.8 lakh crore mainly depended on the resolution of the Essar Steel insolvency case before 31 March, which has happened, but the distribution of the funds to financial creditors has not taken place as operational creditors have taken up the issue of their dues in the appellate tribunal (NCLAT).

Earlier NCLAT had directed the Essar Steel Committee of Creditors (CoC) to reconsider the distribution of ₹42,000 crore as announced by NCLT Ahmedabad, which had suggested a 85:15 distribution between the financial and operational creditors against the 90:10 ratio as proposed in the resolution plan.

The NCLAT was informed last week that a decision by CoC on the issue of whether StanChart, an unsecured financial creditor which had moved the NCLAT against the resolution distribution formulae, should get higher a payout for its dues from Essar Steel, is being discussed. The next hearing on the matter at NCLAT has been adjourned to 9 April.

Unsecured lender Standard Chartered Bank, which had made the highest claim of ₹3,400 crore, has been excluded from the offer. As per the plan submitted by ArcelorMittal, the bank will receive only 1.7%, or ₹60 crore, of its dues.

The total of claims admitted by the financial creditors in Essar Steel and Bhushan Power & Steel, the two big-ticket cases of the RBI's first 12 list of NPAs, are ₹49,479 crore and ₹47,145 crore, respectively.

Earlier this month, NCLAT directed NCLT to decide on JSW's bid for Bhushan Power & Steel by March 31 after dismissing the plea of Tata Steel. But this case also has not moved further and, so far, no decision has come from NCLT.

This has raised worries about the recovery from this case being pushed to the next financial year.

Earlier, the Department of Financial services officials had met the senior management of PSBs via video conferencing and reviewed the recovery target for 2018-19. The meeting discussed the recoveries made by PSBs through the Debt Recovery Tribunals (DRTs) and the SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act), along with a presentation on the Insolvency and Bankruptcy Code by the Corporate Affairs Ministry. But the recoveries through SARFAESI and DBTs are not huge.

A Boston Consulting Group and Indian Banks' Association joint report says that PSBs have recovered a total of ₹2.87 lakh crore between April 2014 and December 2018. They have recovered close to ₹80,000 crore from cases resolved under the Insolvency and Bankruptcy Code.

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