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Market Watch

# PNB sets Rs 20,000 crore recovery target in FY20

BY JOEL REBELLO, ET BUREAU | MAY 29, 2019, 08.53 PM IST

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MUMBAI: Punjab National Bank intends to recover Rs 20,000 crore of bad loans in the current financial year through one-time settlements and resolutions under the Insolvency and Bankruptcy Code (IBC). The state-owned bank's target is 25% higher than recoveries of Rs 16,000 crore in the previous financial year.

"We have analysed our portfolio to look at recoveries from Sarfaesi (Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act), OTS (one-time settlement) and also IBC," said LV Prabhakar, executive director at PNB. "Last year, we had identified 2.25 lakh accounts for recoveries under the OTS scheme. Some of these instalments are still coming through and this year we will expand the scope of these accounts to loans up to Rs 50 crore from which we expect recoveries."

The bank is stepping up on loan recoveries as losses continue due to higher provisioning as recoveries from the IBC have been slow and old bad loans have aged, requiring more to be set aside against them.

The bank posted a loss of Rs 4,750 crore in the quarter ended March as provisions for non-performing assets remained elevated at Rs 9,154 crore.

PNB made a net loss of Rs 13,417 crore a year ago after the Rs 14,000 crore Nirav Modi scam. It swung to a net profit of Rs 247 crore in the quarter ended December.

The bank's gross NPAs stood at Rs 78,472.7 crore at the end of March

Managing director Sunil Mehta said the bank had to make an extra Rs 1,200 crore provision for loans to Essar Steel because the recovery did not materialise.

"We would have got back Rs 1,800 crore from the account, but we had to provide a further Rs 1,200 crore. This Rs 3,000 crore impacted our profit. But we now have made 100% provision on the account and can only expect a writeback from here," Mehta said.

The bank's provision coverage ratio improved to 75% in March from 58% a year earlier. Mehta said a higher ratio means better chances of a writeback for the bank. PNB expects Rs 6,000 crore to come from Essar Steel and Bhushan Power & Steel and Rs 4,000 crore from other accounts taken to court under the IBC.

"These recoveries and an expected double-digit loan growth will help us... We are also planning to sell our non-financial, non-core assets like an old office building in Delhi, for which we are expecting Rs 1,000 crore. We are expecting to raise funds from the market in the second half of the year," Mehta said.

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