

Business Standard

Bad loans taken over by ARCs rose 17.4% in 12 months ended June 2019

The amount they bought of such NPAs in the 12-month period was less, at Rs 57,506 cr, from the Rs 67,830 cr they acquired in the previous such one-year period

Abhijit Lele | Mumbai December 26, 2019 Last Updated at 01:45 IST



The total of loans classified as non-

Illustration by Binay Sinha

performing by lenders and acquired by asset reconstruction companies (ARCs) rose 17.4 per cent to Rs 3.8 trillion in the 12 months ended June 2019.

However, the amount they bought of such non-performing assets (NPAs) in the 12-month period was less, at Rs 57,506 crore, from the Rs 67,830 crore they acquired in the previous such one-year period.

According to the Reserve Bank of India (RBI) data, security receipts (SRs) redeemed by ARCs jumped to Rs 12,906 crore as on June 2019, from Rs 8,830 crore in June 2018.

This is payout to the investors in the SRs, says the report on Trend and progress on banking in India 2018-19, issued on Tuesday. Unredeemed SRs rose to Rs 114,615 crore in June, from Rs 98,118 crore a year ago.

As cases referred for recovery through legal mechanisms shot up, cleaning up of balance sheets via sale of stressed assets to ARCs decelerated on a year-on-year basis, and declined as a proportion to gross NPAs at

the beginning of 2018-19.

However, the acquisition cost of ARCs as a proportion to the book value of assets increased further, indicating banks had to incur less of write-offs on account of these sales.

The share of subscriptions by banks to SRs issued by ARCs declined to 69.5 per cent by end-June, from 79.8 per cent a year ago. This was in line with the agenda to reduce their investments in SRs and to diversify the investor base in these, says the RBI.

