

SBI puts up Rs 366 crore loans for sale to ARCs in tough year for recoveries

By: FE Bureau

Published: July 21, 2020 3:50 AM

The Rs 80-crore loan to Chandigarh-based Venus Remedies is being offered at a reserve price of Rs 56.37 crore, which means there could be a 30% haircut on this exposure.



As a result, they are taking the asset sale route wherever possible.

State Bank of India (SBI) on Monday sought buyers for its loans to two companies aggregating an outstanding of Rs 365.54 crore. Both accounts are being offered to asset reconstruction companies (ARCs) and other financial institutions on a full-cash basis. The reserve price for Kolkata-based MSP Sponge Iron has been set at Rs 126 crore, implying an up to 56% haircut on the Rs 285-crore exposure. The Rs 80-crore loan to Chandigarh-based **Venus Remedies** is being offered at a reserve price of Rs 56.37 crore, which means there could be a 30% haircut on this exposure.

FY21 is likely to be a tough year for recoveries in the banking system as several borrowers have chosen to avail the repayment moratorium for varying periods. Earlier this year, the government also announced the suspension of fresh insolvency proceedings against stressed companies for a year, further restricting banks' avenues for making recoveries. As a result, they are taking the asset sale route wherever possible.

RELATED NEWS

Muthoot Finance expects gold loan portfolio to grow 15-20 per cent in 2020-21: MD

IL&FS lays out road map to address over Rs 57,000 cr of debt

HDFC Bank's Aditya Puri highest paid banker in FY20

current quarter itself," Kumar further said, possibly referring to the Bhushan Power & Steel account, whose resolution process has run into rough weather more recently.

In a recent report, rating agency Icria said that the outbreak of Covid-19 and the suspension of new proceedings under the Insolvency and Bankruptcy Code (IBC) is expected to result in significantly lower realisations, by 30-40% for financial creditors in FY20-21 and pose new challenges. "ICRA expects the resolution of corporate insolvency resolution proceedings (CIRPs) would be impacted during FY2021 due to

Last month, SBI chairman Rajnish Kumar had said that the June quarter was a particularly bad one for recoveries. "As far as recoveries are concerned, we are expecting that June quarter is not going to be a good quarter for us, but I expect that September quarter onwards, things will start coming back. That's why there may be some impact on our other income," Kumar said. He added that in FY20, the recovery in written-off accounts was to the tune of Rs 9,000 crore and in the current year, it was set to be lower than. "But, there are some large chunky accounts where we are expecting recovery during the

a decline in the number of CIRPs yielding a resolution plan as well as an increase in haircuts that lenders would have to take. The financial creditors could realise about Rs 60,000 crore – Rs 70,000 crore in FY21 through successful resolution plans from the IBC as compared to about `1 lakh crore realised in FY20,” the report said.



Subscribe to FE Daily Newsletter for latest updates on markets, business, money, infra & more, right in your mailbox

Subscribe

Get live [Stock Prices](#) from [BSE](#), [NSE](#), [US Market](#) and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).

 Financial Express is now on Telegram. [Click here to join our channel](#) and stay updated with the latest Biz news and updates.

HOMEINDUSTRYBANKING FINANCESBI Puts Up Rs 366 Crore Loans For Sale To ARCs In Tough Year For Recoveries
