

'Banks may recover over Rs. 1 lakh crore'

Enthused by the successful conclusion of the Bhushan Steel case, the Finance Ministry expects banks to write back more than Rs. 1 lakh crore after the resolution of all 12 NPA cases referred to insolvency proceedings by the RBI in its first list.

Last week, Tata Group acquired controlling stake of 72.65% in the debt-ridden Bhushan Steel Ltd. for about Rs. 36,000 crore which will help in cleansing the banking system as well as boost lenders' profitability.

The remaining 11 NPA cases, which are in the pipeline, will easily bring to the table more than Rs. 1 lakh crore and the amount coming from resolution under the Insolvency and Bankruptcy Code (IBC) will directly add to the bottomline and help in reduction of NPAs of the public sector banks, a senior Finance Ministry official said.

Last year, in June, RBI's internal advisory committee (IAC) identified 12 accounts, each having more than Rs. 5,000 crore of outstanding loans and accounting for 25% of total NPAs of banks.

Debt-ridden firms

Following the RBI's advisory, banks referred Bhushan Steel Ltd., Bhushan Power & Steel Ltd., Essar Steel Ltd., Jaypee Infratech Ltd., Lanco Infratech Ltd., Monnet Ispat & Energy Ltd., Jyoti Structures Ltd., Electrosteel Steels Ltd., Amtek Auto Ltd., Era Infra Engineering Ltd., Alok Industries Ltd. and ABG Shipyard Ltd. to the NCLT.

These accounts together have a total outstanding loan of Rs. 1.75 lakh crore.

The Kolkata Bench of the National Company Law Tribunal (NCLT) had already approved Vedanta Resources's resolution plan for acquisition of Electrosteel Steels last month. Besides, the NCLT last month also asked the lenders of Bhushan Power & Steel to consider the bid submitted by the U.K.-based Liberty House for the debt-ridden company.

Bhushan Power and Steel owes almost Rs. 48,000 crore to banks and was referred to the NCLT by Punjab National Bank in June last year.

Last week, Bamnival Steel Ltd (BNPL), a wholly-owned subsidiary of Tata Steel, had acquired 72.65% stake in Bhushan Steel by paying about Rs. 36,400 crore of which Rs. 35,200 crore will be paid to financial creditors.

The buy-out is expected to bring relief in the form of capital boost to PNB that was one of the leading lenders to the debt-ridden company, the bank said.

PNB said it had the second highest exposure to Bhushan Steel and will benefit greatly from this acquisition.

PNB sources say that the ledger outstanding to Bhushan Steel was Rs. 3,857.49 crore while Rs. 1,542.99 crore was earmarked for provisioning.

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