

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
STARRED QUESTION NO-*207
ANSWERED ON- 13/12/2021

ESTABLISHMENT OF NARCL

*207. SHRI SHANMUGA SUNDARAM K.

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Government is having any proposal to establish National Asset Reconstruction Company Limited (NARCL) as announced by the Finance Minister in Budget speech;
- (b) if so, the value of the estimated strained assets with various Public Sector Banks and the quantum of strained assets to be taken over by the proposed asset management company;
- (c) whether partially provided accounts by banks will be taken into consideration by NARCL and if not, the reasons therefor;
- (d) the details of the compensation method and amount to be transferred to the banks which transferred the strained assets to NARCL; and
- (e) whether the Government is providing any guarantee to the proposed asset management company and if so, the details thereof along with the amount of guarantee to be given?

ANSWER

THE FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

(a) to (e): A statement is laid on the Table of the House.

Statement as referred to in reply of Lok Sabha Starred Question no. *207 for answer on 13th December, 2021/ Agrahayana 22, 1943 (Saka) regarding “Establishment of NARCL” by SHRI SHANMUGA SUNDARAM K., Hon’ble Member of Parliament

(a) to (e): Pursuant to the Finance Minister’s Budget speech for the financial year 2021-22, National Asset Reconstruction Company Limited (NARCL) has been set up by banks and Certificate of Registration for commencement of business of securitisation of asset reconstruction operations has been granted by Reserve Bank of India (RBI) on 4.10.2021.

As per RBI data, aggregate gross advances of public sector banks (PSBs) increased from Rs. 18,19,074 crore as on 31.3.2008 to Rs. 52,15,920 crore as on 31.3.2014. As per RBI inputs, aggressive lending practices during this period along with wilful default/loan frauds/corruption in some cases, economic slowdown *etc.* were observed to be primary reasons for the spurt in the stressed assets. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Primarily as a result of transparent recognition of stressed assets as NPAs, as per RBI data on global operations, gross NPAs of PSBs rose from Rs. 2,79,016 crore as on 31.3.2015, to Rs. 8,95,601 crore as on 31.3.2018, and as a result of Government’s strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 6,12,384 crore as on 30.6.2021. Further, comprehensive steps have been taken by the Government to recover NPAs, enabled by which, PSBs, as per RBI data, have recovered an amount of Rs. 5,49,327 crore during the last seven financial years.

NARCL is intended to resolve stressed assets amounting to about Rs.2 lakh crore. These assets include both fully and partially provided accounts. Acquisition of assets would be under the extant guidelines whereby through the 15:85 structure, 15 per cent of the net value of assets is paid upfront to banks and security receipts (SRs) issued for the remaining 85 per cent.

Government has approved guarantee of up to Rs. 30,600 crore for Security Receipts to be issued by NARCL. The said guarantee will be valid for five years from the date of issuance of SRs or till the date of final settlement of loan accounts, whichever is earlier.
