

Chapter IX Conclusion

9.1 The real liability assumed by the GOI figures in the public account of India. The notional loan (an asset) is figuring in the Consolidated Fund of India. The necessity to protect IDBI from loss due to accumulated NPA of ₹ 9000 crore leading to the creation of a SPV in the form of a Trust to assume the liability, budgeting for the same and the accounting procedures adopted thereof were not explained in budget of 2004-05 affecting transparency of the transaction.

9.2 Over a period of about nine years, the Trust was able to recover ₹ 4,071 crore out of ₹ 9,000 crore. It has settled 319 cases out of 631 cases for ₹ 2,561.49 crore against NLO of ₹ 2,933.12 crore. Out of the 319 cases settled, in 150 cases there was a short recovery of ₹ 915.17 crore and in the remaining 169 cases there was an excess recovery of ₹ 543.54 crore over and above NLO. In 101 resolved cases, it has so far recovered ₹ 1,220.49 crore (including shares of ₹ 63.47 crore) against NLO of ₹ 2,878.29 crore. In the unresolved category, in 79 cases with NLO of ₹ 625.32 crore, the Trust could not recover any amount and from the balance 132 cases it could recover only ₹ 396.75 crore against NLO of ₹ 2,380.37 crore. Thus, the Trust could only partially achieve its objective to recover the amounts locked up in the stressed assets. An amount of ₹ 4,941 crore was yet to be redeemed by GOI.

9.3 The cases remaining now are difficult and the uncertainty of recovery of the remaining amount has increased considerably. This is evident from the declining trend of recoveries during recent years. More than 50 *per cent* of the total recovered amount were recovered in three years from 2005-06 to 2007-08.


9.4 The system of personal guarantees provided by the borrowers proved to be completely ineffective as in overwhelmingly large number of cases, property details were not available, thus making the invoking of such guarantees fruitless.

9.5 The Trust was largely manned by the IDBI staff and officers. Apart from the inadmissible exchange of three cases, in which IDBI gained and the Trust lost, such “revolving door” policy in terms of management of Trust raised issues of sound management of recovery efforts.

9.6 Considering the difficult nature of the cases (some have been referred to BIFR), the final recovery may not be sufficient to repay the GOI loan. However, the GOI will have to redeem the special securities completely by paying to IDBI by 2024. The possibility of GOI having to redeem considerable portion of these special securities entailing financial outgo is therefore real.

This will, in the ultimate analysis, benefit the private corporates and their promoters who took huge loans, at the cost of the taxpayers.

New Delhi
Dated : 15 March 2014


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Countersigned

New Delhi
Dated : 18 March 2014


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