

Chapter II SASF and Government

2.1 Transfer of NPAs of IDBI to the SASF

As of March 2004, the non-performing assets of IDBI stood at ₹ 9,000 crore approximately. Consequent to transfer of these stressed assets to SASF, NPAs of IDBI declined sharply from 14 *per cent* during 2002-03 to 2 *per cent* as of September 2004.

The transaction effected by the Government of India in acquiring these assets did not involve any immediate cash outgo. GOI provided a loan of ₹ 9000 crore to the Trust who in turn invested the amount in zero-interest Government Special Securities floated by Government of India and redeemable in 20 years. These securities in turn were assigned by the Trust to IDBI in lieu of the NPAs of an equivalent amount. This arrangement of transferring NPAs to the Trust was akin to underwriting the non-performing assets of IDBI. As per the present scheme of things, Government of India will have to redeem the Special Securities in 2024 to the extent of the value of the assets remaining unrecovered. Even though the arrangement did not involve any immediate cash outgo, it has created a liability for the same as and when these securities would be redeemed.

Thus effectively, Government of India have taken the burden of NPAs of IDBI by creating a future liability. This apart from helping the defaulting borrowers has also extended benefits to other shareholders of IDBI as at the time of transfer GOI held 58.47 *per cent* (Annexure III) of total shares.

2.2 Remitting recovered money to the Government of India

As per the Trust Deed, the Trustees shall recover the stressed assets and shall pay the amount recovered to the Government and the Government at the end of February each year pay to IDBI the amount received from the Trust. The special securities shall be redeemed to the extent of payment received from the Government. Details regarding targeted recovery, amount recovered, amount remitted and balance amount shown in the accounts of IDBI from 2004-05 to 2012-13 are given below:

Year	Targeted recovery	₹ in crore	
		Amount recovered	Amount remitted
2004-05	1000.00	200.50	134.00
2005-06	650.00	723.38	637.00
2006-07	1500.00	927.68	863.00
2007-08	750.00	756.73	750.00
2008-09	400.00	281.16	475.00
2009-10	400.00	322.68	300.00
2010-11	300.00	332.53	300.00

2011-12	300.00	224.26	300.00
2012-13	300.00	302.22	300.00
TOTAL	5,600.00	4,071.14	4,059.00

There was a shortfall in recovery of ₹ 1,528.86 crore as compared to the targeted recovery.

Bulk of the recovery was effected in the initial period of the Trust, i.e. between 2005-06 and 2007-08. Thereafter, the recovery amount has declined significantly indicating that the cases left now are more complex and difficult.

2.3 Reimbursement of expenses of SASF by IDBI

All the costs of administering the Trust have been borne by IDBI as per clause 18(c) of the Trust Deed. The expenditure of ₹ 72.86 crore (from 2004-05 to 2011-12) incurred on safeguarding borrowers' assets was reimbursed to IDBI from the recoveries made from the borrowers. But for the Trust, the expenditure on safeguarding assets would have been borne by IDBI. Further, there is no provision in the trust deed to recover such amount from the realisation of stressed assets. Rather, clause 18(c) of the trust deed categorically mentions that all costs of administering the trust have to be borne by IDBI. Thus, this amount should also have been transferred to the GOI. By not doing so, the burden of the GOI has gone up to that extent as the full recovery of the stressed assets is unlikely, yet the GOI will have to redeem the outstanding special securities in 2024.

Ministry in its reply informed Audit that since clause 18(c) of the Trust Deed provided that IDBI shall meet the expenses of administering the Trust, it had been decided to direct the bank to return the amount to SASF.