

## **STRESSED ASSETS STABILISATION FUND (SASF)**

[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Seventy-eighth Report (16<sup>th</sup> Lok Sabha)]

**MINISTRY OF FINANCE  
(DEPARTMENT OF FINANCIAL SERVICES)**

**PUBLIC ACCOUNTS COMMITTEE  
(2018-19)**

**ONE HUNDRED AND TWENTY-FIFTH REPORT**

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**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**PAC NO. 2164**

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**(2018-19)**

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(SASF)**

**[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Seventy-Eighth Report (16<sup>th</sup> Lok Sabha)]**

**MINISTRY OF FINANCE  
(Department of Financial Services)**



**Presented to Lok Sabha on: 19.12.2018**

**Laid in Rajya Sabha on: 19.12.2018**

**LOK SABHA SECRETARIAT  
NEW DELHI**

**December, 2018/ Agrahayana, 1940 (Saka)**

# **CONTENTS**

	<b>PAGE</b>
<b>COMPOSITION OF THE PUBLIC ACCOUNTS COMITTEE (2018-19)</b>	
<b>INTRODUCTION</b>	
<b>CHAPTER I</b>	Introductory
<b>CHAPTER II*</b>	Observations/Recommendations which have been accepted by the Government
<b>CHAPTER III*</b>	Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government
<b>CHAPTER IV*</b>	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration
<b>CHAPTER V</b>	Observations/Recommendations in respect of which Government have furnished interim replies/no replies

## **APPENDICES**

- I\*\* Minutes of the twenty-first sitting of Public Accounts Committee (2018-19) held on 14.12.2018.
- II Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Seventy-Eighth Report (Sixteenth Lok Sabha)

\* Not included to the cyclostyled copy of the Report

\*\* To be appended at the time of Printing.

## **COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2018-19)**

**Shri Mallikarjun Kharge** - **Chairperson**

### **MEMBERS** **LOK SABHA**

2. Shri Subhash Chandra Baheria
3. Shri Sudip Bandyopadhyay
4. Shri Prem Singh Chandumajra
5. Shri Gajanan Chandrakant Kirtikar
6. Shri Bhartruhari Mahtab
7. Smt. Riti Pathak
8. Shri Ramesh Pokhriyal “Nishank”
9. Shri Janardan Singh Sigriwal
10. Shri Abhishek Singh
11. Shri Gopal Shetty
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Chanabasappa Udasi
15. Dr. Ponnusamy Venugopal

### **RAJYA SABHA**

16. Prof. M. V. Rajeev Gowda
17. Shri Bhubaneswar Kalita
18. Shri Shwaij Malik
19. Shri Narayan Lal Panchariya
20. Shri Sukhendu Sekhar Roy
21. Shri C.M.Ramesh
22. Shri Bhupender Yadav

### **SECRETARIAT**

1. Shri A.K. Singh - Additional Secretary
2. Shri Sanjeev Sharma - Director
3. Smt. Bharti S. Tuteja - Deputy Secretary

## **INTRODUCTION**

I, the Chairperson, Public Accounts Committee (2017-18), having been authorised by the Committee, do present this One Hundred and Twenty-fifth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventy-Eighth Report (Sixteenth Lok Sabha) on '**Stressed Assets Stabilisation Fund (SASF)**' relating to the Ministry of Finance (Department of Financial Services).

2. The Seventy-Eighth Report was presented to the Speaker, Lok Sabha on 6 June, 2017 and thereafter presented to Lok Sabha/laid in Rajya Sabha on 18 July, 2017. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 30 October, 2018. The Public Accounts Committee considered and adopted the One Hundred and Twenty-fifth Report (Sixteenth Lok Sabha) at their sitting held on 14 December, 2018. Minutes of the Sitting are given at Appendix-I.
3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.
4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.
5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the Seventy-Eighth Report (Sixteenth Lok Sabha) is given at Appendix-II.

**NEW DELHI;**  
**18 December, 2018**  
**27Agrahayana, 1940 (Saka)**

**Mallikarjun Kharge**  
**Chairperson**  
**Public Accounts Committee**

## **CHAPTER - I**

### **REPORT**

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Seventy-eighth Report (16<sup>th</sup> Lok Sabha) on "**Stressed Assets Stabilisation Fund (SASF)**" relating to the Ministry of Finance (Department of Financial Services).

2. The Seventy-eighth Report which was presented to the Speaker, Lok Sabha on 6<sup>th</sup> June, 2017 and both the Houses on 06 June, 2017 and 18 July, 2017 respectively contained 10 Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations received from the Department of Financial Services are categorized as under:

(i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1, 2, 4 & 6

**Total: 04**  
**Chapter – II**

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

NIL

**Total: NIL**  
**Chapter – III**

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos. 3, 5 & 10

**Total: 03**  
**Chapter – IV**

(iv) Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

Para No. 7, 8 & 9

**Total: 03**

## **Chapter -V**

3. The detailed examination of the subject by the Committee, inter-alia, included detailed examination of Stressed Assets Stabilisation Fund (SASF), a Trust created by the Government of India for the Stressed Assets of IDBI. The examination of the subject had revealed several highlighting inadequacies/lapses and accordingly, the Committee had *inter-alia* given Observations/Recommendations on issues ranging from Expeditious recovery of Net Loan Outstanding (NLO), Delay in entrusting Audit of SASF Accounts to C&AG, Expenditure incurred on Trust administration, Inadmissible Exchange of Assets and surrendering of securities for the losses on Exchanged cases, Need for transparent guidelines on obtaining of Personal Guarantees for loans, Recovery of NLO cases with more than ₹ 25 crore, Settlement below NLO and need for proper valuation of assets, securities and liabilities, Organisational set-up Manpower planning and deployment of staff in SASF and IDBI Bank's rising Non-Performing Assets (NPAs).

4. The Action Taken Notes furnished by the Ministry of Finance (Department of Financial Services) have been reproduced in the relevant chapters of this Report. The Committee will now deal with action taken by the Government on their Observations/Recommendations which either need reiteration or merit comments.

**5. The Committee desire the Ministry of Finance (Department of Financial Services) to furnish Action Taken Note in respect of Observations/Recommendations contained in Chapter I and final/conclusive action taken replies in respect of the Observations/Recommendations contained in Chapter V for which interim reply had been given by the Government within six months of the presentation of the Report to the House.**

6. The Committee strongly deplore the apathetic attitude of the Department of Financial Services for not submitting the final Action Taken Replies on the Observations/ Recommendations contained in the 78<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) of the Public Accounts Committee presented to the Speaker, Lok Sabha on 06 June, 2017. Despite, having been directed to submit the final Action Taken Replies within six months of the presentation of the Report, the Ministry on 30 October,

2018 had only furnished vetted Action Taken Notes and sought extension till 19 November, 2018 for submission of final ATNs. However, the same are yet to be received despite Ministry's own commitment. The Committee take strong exception to the insensitivity of the Ministry in furnishing the final Action Taken Replies and condemn it as a deliberate act of disregard to the Parliamentary direction. The Committee, therefore, desire that explanation may be sought from the officer(s) responsible for the delay and be apprised of the action taken in the matter. The Committee further desire that suitable instructions be issued to all concerned to adhere to the Committee's timelines.

7. **Delay in entrusting Audit of SASF accounts to C&AG**  
(Recommendation No. 3)

*The Committee in their original Report noted that the Trust had requested C&AG in June 2005 to appoint an auditor in pursuance of the provisions of the Trust Deed. Since the provisions of C&AG's Duties, Powers and Conditions of Service (DPC) Act 1971 stipulate that the C&AG would undertake audit only after receipt of a formal proposal from the Ministry, SASF was advised to forward a proposal through the Ministry and the audit of SASF was entrusted to CAG by the Ministry, for the period 2004-05 to 2013-14, only in May 2013, that too, after the intervention of the Mumbai High Court in February 2013. Moreover, subsequent Audit of the SASF from 2014-15 onwards was not entrusted to C&AG despite their taking up the matter with the Ministry in January, 2014, February, 2015, May 2015 and February, 2016. The Committee are were aghast to observe that in spite of the request from the Trust in June, 2005, the Ministry deliberately did not pay any attention to make a formal request to the C&AG for the audit of SASF. The Ministry arose from its pretentious slumber after long eight years in 2013, only when the Mumbai High Court directed them to do so. The conscious attitude of the Ministry was vividly clear from the fact that they ignored similar requests of the C&AG repeatedly in January, 2014, February, 2015, May, 2015 and February, 2016 to entrust the audit of SASF. The Committee took serious note of the lackadaisical attitude of the Ministry during the evidence and now as per the Ministry's submission the audit of SASF for the period of 2013-18 was entrusted to the C&AG. The Committee were of the considered view that the conspicuous delay to entrust timely Audit of SASF to the C&AG directly puts responsibility of the lapses made by SASF during these years on the Ministry. The Committee desired that the Ministry may ascertain the reasons for the deliberate delays, on both occasions, in entrusting the Audit of SASF to C&AG and fix responsibility on erring officials in both the cases. The*

*Committee also noted that Clause 17(a) of the Trust Deed states that "the accounts of the fund shall be maintained and audited by the C&AG of India". The Committee noted from the C&AG's observation in this regard that the provision of maintenance of accounts by the C&AG had been mistakenly placed as the C&AG only audits the accounts prepared by the Executive. The Committee desired that necessary amendments may be incorporated in the Trust deed and may clearly provide for vivid and concise provisions in the clause so that no further mis-interpretation may be read in future. The Committee further desired that the Ministry in order to secure the interests of the Government take prompt and timely action in entrusting the audit to the C&AG, taking remedial action on their observations and apprise the position within six months of the presentation of this Report.*

8. The Ministry of Finance (Department of Financial Services) in their Action Taken Note have stated as under:-

"The matter of audit of SASF was raised before Bombay High Court in PIL no. 65 of 2011 Madhav Balwant Karmakar vs. Union of India & Others. Ministry of Finance submitted on 6.3.2012 that as per paragraph 17 of the Trust Deed, the accounts of SASF shall be maintained and audited by CAG. CAG submitted on 21.6.2012 that under the Constitutional scheme, CAG does not maintain accounts. However, if directions are given by Union of India to audit the accounts of SASF, CAG would have no difficulty in doing so. The Court sought to know on 30.1.2013 whether Union of India intends to instruct CAG to audit the SASF's accounts. Thereupon, on 8.2.2013, Ministry of Finance requested CAG to arrange for audit of SASF's accounts for the period 2004-05 to 2013-14. As regards audit for the period 2014-15 to 2018-19, Ministry of Finance, vide letter dated 13.7.2016, requested C&AG to conduct the audit, and C&AG has concurred vide letter dated 30.11.2017 to undertake the audit of SASF for the said period. Accordingly, Department of Economic Affairs, vide letter dated 5.12.2017, has conveyed re-entrustment of audit of SASF's accounts by CAG for the said five-year period to CAG. As regards action on CAG's observation, CAG Report no. 5/2014 on SASF, action taken on thereport has been communicated to CAG vide letter dated 13.7.2017."

9. While vetting the above ATNs, the Audit made the following comments:-

"The reply of the ministry was silent on the issue that "*The committee desires that the Ministry ascertain the reasons for the deliberate delays, on both occasions, in entrusting the Audit of SASF to C & AG and fix responsibility on erring officials in both the cases*". The reply of the same may please incorporated in the ATN for the better appreciation of the PAC."

10. The Committee noted that there was conspicuous delay to entrust timely audit of SASF to the C&AG and desired that the Ministry may ascertain the reasons for same, on both occasions for the periods 2004-05 to 2013-14 and 2014-15 to 2018-19 respectively and fix responsibility on erring officials. The Committee also noted that the Trust Deed mistakenly contained provision of maintenance of accounts of SASF by the C&AG of India and desired that necessary amendments may be incorporated in the Trust Deed and Ministry to clearly provide for vivid and concise provisions in the clause to avoid misinterpretation. The Committee note from the reply of the Ministry that the C&AG was entrusted with the audit of SASF's account for the period 2004-05 to 2013-14 in May, 2013 and for the period 2014-15 to 2018-19 in December, 2017. However, the Committee are appalled to note the silence of the Ministry regarding fixing of responsibility on erring officials for deliberate delays in entrusting the audits to C&AG and also whether necessary amendments have been incorporated in the Trust Deed to avoid future misinterpretation of the Trust Deed. The Committee, therefore, reiterate their earlier recommendation and desire that the Ministry may take prompt and timely remedial action on their observations and apprise them within two months of the presentation of the Report.

11. **Inadmissible Exchange of Assets and surrendering of securities for the losses on Exchanged cases**  
(Recommendation No. 5)

*The Committee in their original Report noted that between September 2004 and May 2005, IDBI, by executing six transfer/assignment/transfer of mortgage deeds, assigned 636 stressed assets with NLO of ₹ 9004 crore to SASF. IDBI Bank submitted (February 2006/April 2006) proposals to GoI for exchange of turnaround cases for other stressed assets. Exchange of cases was not permissible as the objective of formation of SASF was to take over the NPAs/potential NPAs existing as on March 2004 only. The GoI intimated (May 2006) IDBI Bank that the Stressed Assets Stabilisation Fund was created for a specific purpose, i.e., for stressed assets for that point of time and it would not be proper to extend the scope and life of SASF. Despite this, the Board of IDBI Bank decided (June 2006) and Board of Trustees approved (24 June 2006)*

exchange of eight turnaround cases with NLO of ₹1522 crore for three fresh cases with NLO of ₹1335.29 crore. The transfer deed was executed between IDBI Bank and SASF for exchange of cases. Audit noticed that in eight cases, which were transferred to IDBI in 2006, against a total NLO of ₹1522.29 crore, the recovery made was ₹1659 crore. On the other hand, the position of the three cases transferred to the Trust against a total NLO of ₹1335.29 crore, the recovery made was just ₹360.32 crore. Thus, this inadmissible exchange which was not approved by the Government of India, benefitted IDBI. On the assets transferred to IDBI, the recovery was even more than the NLO and on the assets received by the Trust in exchange, the recovery was minimal.

The Ministry in their reply to the Audit observation stated that the exchange of assets was not in line with the objective and scope of formation of SASF and the Bank took a business decision in the interest of the Bank to save some stressed assets in which there was a scope for revival. The Committee noted from the submission made by the IDBI Bank that Ratnagiri Gas & Power Pvt. Ltd. (RGPPL) was set up to take over and revive the assets of Dabhol Power Company Project on the direction of Government of India. Further, the Ministry submitted that the restructuring would not have been possible with account remaining with SASF as it had no mandate or capacity to provide additional funds to carry out day-to-day monitoring of the operation of the accounts. The transfer of equivalent amount of stressed assets to SASF was done to bring about parity of exchange. The Committee were dismayed to know that the Ministry did not take immediate appropriate action at the time when SASF and IDBI exchanged assets in violation of the GoI orders. The Committee noted from the reply of Ministry to their specific query regarding the exchange of assets that Ministry came to know about exchange of Assets only from the C&AG Report (i.e., exactly 8 years from the date of execution of transfer deed in June 2006 and the C&AG Report on the subject tabled in July 2014). However, the Ministry in their written submission in the same document has justified the exchange stating that SASF did not have mandate other than recovering the amounts due on the assets. The Committee were shocked to note the confusing statements made by the Ministry on the issue of inadmissible exchange. The Committee while taking serious view of the decision of IDBI Bank and SASF to execute the transfer deed in contravention of the Ministry's direction felt that the lackadaisical approach of the Ministry to monitor the progress made by the SASF and failure to follow-up on its own direction resulted in loss to the SASF. The Committee were of the view that SASF should have insisted on redeeming equal amount of bonds in exchange of stressed assets in case of RGPPL, which was restructured. The Committee also took serious note of the inadmissible exchange. The MD &CEO, IDBI during the sitting of the Committee held on 12 July, 2016 committed that securities worth ₹ 1064.27 crore would be surrendered to the GoI. The Committee found that the IDBI Bank has provided to surrender securities worth ₹ 198.50 crore in last two quarters upto December 31, 2016 and has assured that the remaining securities worth ₹ 870.77 crore would be provided in the following 9 quarters. The

*Committee were dismayed to note that despite repeated requests made by the Committee Secretariat to provide specific information and their views of the matter of surrender of securities, the Ministry has failed to respond. This showed the utter non-serious attitude of the Ministry towards managing the affairs of SASF with due diligence and promptness. In view of lack of any inputs from the Ministry on the matter, the Committee were of the considered view that the above request of IDBI Bank for surrender of securities in installments may be considered by the Ministry after reviewing the financial position of the IDBI Bank and the Committee may be apprised of the same at the earliest. The Committee desired the Ministry to initiate an independent investigation into the matter and take penal action against the officials of the Ministry/ IDBI Bank/ SASF responsible for taking action in violation of the directions of GoI resulting in huge financial losses to the exchequer. The Committee further reprimanded the Ministry towards their non-serious attitude in non-furnishing of desired information to the Committee and desired that recurrence of such instances be strictly avoided and fix the responsibility against the concerned officials in the matter.*

12. In this regard, the Ministry of Finance (Department of Financial Services) in their Action Taken Note stated as under:-

" Vide its letter dated 27.7.2017, IDBI Bank Ltd. has started reimbursement of Rs.1,064.27 crore, on account of loss on exchange of assets, in 11 equal quarterly instalments starting from September 2016 and Rs.483.75 crore has been paid up to 30.9.2017."

*(Reply to Para 1 of the Recommendation)*

"Vide letter dated 27.7.2017, IDBI Bank Ltd. has started reimbursement of Rs.1,064.27 crore, on account of loss on exchange of assets, in 11 equal quarterly instalments starting from September 2016, and Rs.483.75 crore (5 instalments) has already been paid up to 30.9.2017. Through reimbursement by the Bank, loss on account of the transfer is expected to be neutralised."

*(Reply to Para 2 of the Recommendation)*

13. While vetting the said ATNs, Audit made the following comments:-

"The total amount of reimbursement as on 31.3.2018, was Rs. 677.25 crore towards inadmissible exchange of assets. However an amount of Rs. 387.02 crore is pending from IDBI Bank. Progress in this regard may be intimated to PAC. "

*(Vetting comments to Ministry's reply at Para 1 of the Recommendation)*

"Till 31.3.2018, IDBI has surrendered security worth Rs. 677.25 crores towards redemption/ written off of securities.

An amount of Rs. 387.02 crore is pending from IDBI Bank. Further the reply of the ministry is silent on the following aspect i.e. The committee desire the Ministry to initiate an independent investigation into the matter and take penal action against the officials of the Ministry/ IDBI Bank / SASF responsible for taking action in violation of the directions of GoI resulting in huge financial losses to the exchequer. The same may be incorporated in the ATN for the better appreciation of the PAC."

*(Vetting comments to Ministry's reply at Para 2 of the Recommendation)*

**14. The Committee were dismayed to note that the Ministry had not taken immediate action when SASF and IDBI exchanged assets in violation of the Government of India (GoI) orders. However after the matter came to scrutiny, IDBI committed to surrender securities to GoI worth ₹1064.27 crore in installments. The Committee note from the reply of the Ministry that IDBI Bank has started reimbursement of ₹1064.27 crore, on account of loss on exchange of assets, in 11 quarterly installments starting from September, 2016. Thus, the total amount reimbursed stood at ₹ 677.25 crore (as on 31.3.2018) and an amount of ₹387.02 crore is pending from IDBI Bank. The Committee are, however, not in agreement with the Ministry's submission that through reimbursement by the Bank, loss on account of the transfer is expected to be neutralized, as had the matter not been taken-up by the Committee, IDBI Bank would not have agreed for the reimbursement, apart from corrective action for procedural lapses. The Committee, therefore, reiterate their earlier recommendation and desire the Ministry to initiate independent investigation into the matter and also take penal action against the officials of the Ministry/IDBI Bank/SASF for violating GoI's directions. The Committee desire to be apprised of the progress of the independent investigation and expect time-bound completion of the same, both in cases of inadmissible exchange of cases and non-furnishing of information by the Ministry on surrender of securities to the Committee.**

**15. Settlement below NLO and need for proper valuation of assets, securities and liabilities:**  
**(Recommendation Para 8)**

*The Committee observed that as per the recovery policy, valuation of the secured assets of the borrower should be carried out by a valuer engaged by SASF / other secured lender/Court. The policy also provided that value of security including collaterals available (on pro rata basis) and also amount of statutory liabilities and workers' dues shall form the basis for settlement amount. Fresh valuation could be sought if circumstances such as vintage of existing valuation, volatility of asset value, etc. so warranted. Where the value of securities was sufficient to cover the dues, the endeavour should be to recover the maximum amount. The Committee while taking note of the 21 settled cases examined by Audit where settlement amount was lower by ₹587.47 crore as compared to NLO of ₹1144.64 crore, observed that substantial short recovery (below NLO) occurred on large NLO accounts. Although, personal guarantees of some of the promoters of the firms were available with the Trust, the Trust did not make efforts to ascertain the net worth/income of the promoters before arriving at the settlement amount. Thus such settlements below NLO, without assessing the financial capability of the promoters actually benefitted the promoters. At the same time in 20 out of the 21 settled cases, personal guarantees were taken from the promoters/borrowers, however, no property details were available on record of the Trust. The Committee were dismayed to note that in such cases the Trust also did not bother to collect the income tax returns from the guarantors.*

*In 15 resolved cases selected by Audit for examination, in 10 cases the settlement amount/amount received was below the NLO amount, aggregating to short recovery of ₹1590.49 crore as compared to NLO of ₹2171.92 crore. In these 10 cases, only in one case personal guarantees with property details were available and in another one case no personal guarantees were obtained. Further, in the remaining eight cases, though personal guarantees were obtained, property details were not available on the records of the Trust. The Trust also did not collect the income tax returns from the guarantors. It is particularly noticed that in this category, the steel sector companies are the major defaulters and the Trust has taken a substantial hit. In respect of Malvika Steel Ltd. and Usha Ispat Ltd. the settlement amount is only ₹41.78 crore and ₹48.07 crore as against the NLO of ₹594.54 crore and ₹321.80 crore respectively. It was really surprising that in both the cases, the Trust, inspite of having personal guarantees from the promoters of various borrowing companies did not try to ascertain the net worth of the promoters to realize optimum amount.*

*In 36 out of the 39 unresolved cases selected by Audit for examination, the Trust could recover only ₹150.54 crore against NLO of ₹1888.69 crore. The short recovery in these cases was to the tune of ₹1738.14 crore. The Audit analysis of the*

*shortlisted 39 cases revealed that in 11 cases personal guarantees were taken from the promoters/borrowers and only in four cases property details were available and the Trust also did not collect the income tax returns from the guarantors. Further, the Committee noted that most of these cases may be sub judice, referred to BIFR or initiated/invoked under SARFAESI Act/ SFC Act.*

*The Committee, while looking at the cases took note of the fact that there are substantial number of cases where recovery has been made below NLO. The Committee expressed strong displeasure and direct the Ministry to look into all such cases where settlement below NLOs have been approved and fix responsibility of the officers responsible for the same. The Committee also desired to know whether the Trust's guidelines were in consonance of GoI/RBI guidelines laid from time to time and whether any provision for settlement below NLO was placed before and overseen by the Ministry. The Committee desired that the Ministry may investigate and ascertain whether Trust officials, involved in the cases, settled without determining the value of assets, are in connivance with the borrowers/ promoters and if so, take stringent action against the erring officials. The Committee further desired that CBI enquiry may be instituted to go into the entire gamut of events with a view to unearth criminality in the lapses on the part of the officials where short recovery was accepted.*

*The Committee further recommended that since the remaining cases are more complicated in nature, the Ministry may, under its aegis, directly oversee the progress made in those cases by forming a Coordination Committee. The new appointments to the Trust also may be made only after ascertaining their past record and that the official has no affiliation with the borrowers. The Committee further recommended that although the focus should entirely remain towards full recovery from every asset, considered view may be taken in genuine cases. The Committee further desired that the SASF's stated three pronged resolution strategy of Debt Restructuring, Compromise settlement and Legal measures along-with fast-track system may be timely monitored and reviewed by the Ministry.*

16. In this regard, the Ministry of Finance (Department of Financial Services) in their Action Taken Note have stated as under:-

*"SASF has apprised that the settlement amount was arrived after considering SASF's pro-rata share in valuation of assets, statutory liabilities and worker's dues, pending litigations etc. As per SASF's Recovery Policy, emphasis was laid on early exit from the accounts and there was no specific restriction for settlement below NLO. The settlement in respect of 21 cases below NLO was mainly on account of value of assets not being adequate to cover NLO, statutory liabilities having priority over secured dues, unit lying closed since long, charged assets not available/traceable, settlement under aegis of BIFR/CDR, workers'*

issues/dues and settlement amount being discounted to arrive at the NPV in order to avoid delayed realization after 5-6 years.

SASF has informed that there are no specific guidelines from RBI regarding obtaining details of the assets of the guarantors offering personal guarantee as security for a loan. It was only in the year 2000 that as a matter of prudent practice, IDBI, *vide* Circular No. 7 dated 10.5.2000, put in place the system of obtaining particulars of assets owned by the guarantors at the time of execution of the Deed of Guarantee. The Deed of Guarantee also incorporated suitable covenants that the Guarantor shall not dispose of the assets without prior approval of IDBI and also undertakes to inform IDBI regarding acquisition of new assets acquired by him.

SASF has further informed that it has been subsequently collecting the net worth statements, income tax returns and bank account statements whenever settlement with the borrower/guarantor is being discussed and the same is factored in while arriving at the settlement amount.”

*(Reply to Para 1 of the Recommendation)*

“SASF has informed that the term “Resolved cases” includes (a) cases wherein settlement has been arrived but recovery is pending, (b) assets have been sold by DRT/OL/Other lenders but distribution of sale proceeds is pending. Hence, in such cases there is potential for further recovery and same is being pursued by SASF.

In respect of Malvika Steel Ltd., the assets were sold through public auction under SARFAESI by IFCI (the lead) for Rs.209 crore and IFCI distributed partial sale proceeds of Rs.143 crore, in which SASF’s *pro-rata* share amounted to Rs.41.78 crore. However, IFCI instead of releasing the entire share, released only Rs.29.11 crore to SASF. Subsequently, on follow-up, further amount of Rs.25.61 crore has been received towards SASF’s share in sale of assets of the said company, resulting in aggregate recovery of Rs. 54.75 crore (including interest for delayed receipt). SASF is still following up with IFCI for release of its *pro-rata* share in balance sale proceeds.

In respect of Ushalspat Ltd., the amount of Rs. 48.07 crore is only partial recovery made by sale of assets through SARFAESI. Subsequently, an amount of Rs.16.14 crore has been recovered as SASF’s *pro-rata* share in balance sale proceeds. An amount of Rs.64.21 crore has been recovered till date.

SASF has further informed that it is pursuing for further recovery in both the cases and has appointed detective agency for ascertaining details of properties of guarantors and as per preliminary report, few assets of the guarantors have been identified. SASF is pursuing with concerned authorities for verifying the

ownership of the identified assets, for attachment and enforcing the same through DRT.”

*(Reply to Para 2 of the Recommendation)*

“SASF has apprised that out of 39 cases, action has been initiated in 9 cases under SARFAESI (including 3 cases where sale notices have been issued), 7 cases have been referred / are being referred to NCLT, settlement has been reached and payments are being received in 7 cases, 10 cases are filed before DRT (wherein Recovery Certificate received in 4 cases) and recovery has been hampered in 5 cases due to attachment of assets under/by EOW, MPID Act, Central Excise, PML Act and injunction/investigation against the company, disputes regarding the mortgaged property. The action could not be initiated/pursued in remaining 1 case due to abatement of the matter in BIFR as the mortgaged property lies in the tribal area.

Recovery in these 39 unresolved cases between April 2013 and March 2017 stood at Rs.231.10 crore.

SASF has apprised that as per the RBI directions, settlement of are governed by bank-specific internal policy guidelines duly approved by the Board. Accordingly, settlement of dues in SASF is guided by Board-approved Recovery Policy. The Recovery Policy of SASF does not have any specific stipulation that settlements may not be done below NLO. Settlements are negotiated based on SASF’s *pro-rata* share in value of assets, priority of statutory liabilities and workers’ dues, time value of money, and ‘realisability’.

SASF has further apprised that keeping in view that cases are already NPA, having no cash flows, any recovery from these accounts is limited to the realisation from the liquidation of secured assets and identified/attachable assets of the personal guarantors. With the passage of time, a majority of the units have closed down/partially working leading to deterioration in the value of secured assets and hence adversely affecting recoverability.

As far as connivance of staff is observed, SASF has apprised that stern action is initiated by IDBI internally as also by external agencies such as CVC, CBI as per established systems and policies. Ministry of Finance has asked SASF to take appropriate action in the matter, as per established system and policies, while taking due note of the observations of the Public Accounts Committee in this connection.”

*(Reply to Para 3 & 4 of the Recommendation)*

“A Monitoring Cell for monitoring recovery of dues against assets transferred to SASF has been set up as recommended.”

*(Reply to Para 5 of the Recommendation)*

17. While vetting the said ATNs, Audit made the following comments:-

“Factual statement. Hence, no further comments.

No further recovery has been made in these 21 cases is pending and further progress in this regard may please be intimated to PAC.

It is seen that SASF has been able to realise an amount of Rs. 12.47 crore in three cases through sale of shares, allotted to SASF under settlement, having acquisition cost of Rs.5.83 crore. Accordingly, SASF has made further recovery of Rs.6.64 crore (i.e. the amount recovered over & above the acquisition cost of shares) during the period 1 April 2013 to 31 March 2018.

The recovery of above mentioned 21 cases is pending and para may be retained and further progress intimated.

The facts remains that personal guarantees were enforceable instruments to safeguard financial interests of lenders/ Financial Institution.”

*(Vetting comments to Ministry's reply at Para 1 of the Recommendation)*

“In respect of M/s Malvika Steel Limited, an amount of Rs.25.61 crore as on 31.3.2018, has been effected and further recovery with IFCI for release of SASF's pro-rata share in balance sale proceeds is being followed-up with IFCI.

The recovery from M/s Malvika Steel Limited case, SASF share from IFCI is pending. Progress in this regard may be intimated to PAC.

In respect of Usha Ispat Ltd., the amount of Rs.48.17 crore is recovered towards partial recovery against the sale of assets through SARFAESI. Further an amount of Rs. 15.50 crore towards balance sale proceeds was received. Thus the total amount of Rs. 63.67 crore has been recovered till date.

However, full recovery from M/s Usha Ispat Ltd. case is still pending. Progress in this regard may be intimated to PAC.”

The ownership of the identified assets is in process. Progress in this regard may be intimated to PAC.”

*(Vetting comments to Ministry's reply at Para 2 of the Recommendation)*

“Factual statement. Hence, no further comments.

Subsequent to audit, settlement was arrived in 6 cases which was above NLO.

Further recovery of Rs.11.36 crore has been made during April 2017 to March 2018 in 5 cases out of these 39 unresolved cases at present. Thus there are 34 unresolved cases at present.

The management stated (in May 2018) that the categorisation “unresolved cases” indicate the potential for recovery. However, the specific reply on the official responsible, if any, for the short recovery pertaining to 39 unresolved cases has not been furnished by SASF. The same may be intimated for better appreciation of PAC.

Recovery of above mentioned 34 cases is pending. Action on the same may be intimated to PAC.”

*(Vetting comments to Ministry’s reply at Para 3 & 4 of the Recommendation)*

“The reply is silent regarding formation of an oversight committee by the ministry to directly oversee the progress made in the recoveries. The same may be intimated now for better appreciation of the PAC.

Further progress made by SASF may be intimated to PAC.”

*(Vetting comments to Ministry’s reply at Para 5 of the Recommendation)*

**18. The Committee on examination of 21 settled cases, 15 resolved cases and 39 unresolved cases found that there were substantial number of cases where recovery was made below Net Loan Outstanding (NLO). The Committee directed the Ministry to look into all such cases and inter-alia institute CBI enquiry to unearth criminality in the lapses on the part of officials where short recovery was accepted. The Committee also recommended for setting up of a Coordination Committee to oversee the progress made in remaining cases. The Committee note from the reply of the Ministry that the SASF’s Recovery Policy emphasized on early exit from the accounts and there was no specific restriction for settlement below NLO. The Committee also take note that the Deed of Guarantee has suitable covenants (i.e., no disposal of the assets without prior approval and to inform acquisition of new assets) and are of the view that the instruments of**

personal guarantees may be made enforceable and utilised to ascertain net worth/income of the promoters before arriving at the settlement amount. The Committee desire to be apprised of the updated status of the inquiry instituted by the Ministry into the lapses. The Committee also desire that the recovery process may be expedited and completed in time-bound manner in respect of all the resolved cases. The Committee further note from the reply of the Ministry that a Monitoring Cell (instead of the desired Coordination Committee) has been set up to monitor recovery of dues against assets transferred to SASF. The Committee desire that the Ministry may directly oversee the role and functioning of the Monitoring Cell and evaluate the progress made in remaining cases on quarterly, half-yearly and on annual basis.

**19. Organisational set-up, Manpower planning and deployment of staff in SASF**  
(Recommendation Para 9)

*The Committee noted that that SASF is managed by a Board of Trustees (BOT) appointed by the Central Government. The Board consist of one Chairperson, one Executive Trustee and three Members. Since 1 January 2013, the posts of Chairperson and Executive Trustee were merged. The Board of Trustees was also assisted by one Chief General Manager, one General Manager and 22 officials. It was seen that from the inception of the Trust till December 2012, the posts of Chairman and Executive Trustee of the Trust were held by Chairman and Managing Director and Executive Trustee respectively of IDBI Bank Limited. Besides, Deputy Managing Director of IDBI Bank Limited was the Alternate Chairman and Trustee of the Board of Directors from June 2011 and December 2012. It was, thus, evident that for all purposes, the Board of Trustees of SASF, in one way or the other, was related to IDBI which reflected a “revolving door” policy. The Committee was also surprised to observe that a partner of the Chartered Accountants firm, who certified the stressed assets and loan documents of IDBI before transfer to the Trust, was also the Trustee of Board of Trustees of SASF from October 2004 to June 2011.*

*The Committee noted from the reply of the Ministry that the BOT entrusted with general management of affairs and business had 3 eminent professionals and 2 representatives of IDBI. According to the Ministry, since IDBI had long experience in both rehabilitation and recovery and the stressed assets transferred to SASF were earlier dealt with by IDBI, it was felt that continuity of management is essential for recovery of such stressed assets having long experience in both rehabilitation and*

recovery. The Ministry in their further submission stated that initially it was thought that the full amount may be realized if separate organization looks after recoveries as IDBI Bank management would be busy in running of the Bank. However, post C&AG Audit, a considered view has been taken by the Ministry that as losses are to be borne by IDBI Bank, they may look after SASF.

The Committee were of the considered view that the IDBI had an overriding presence in management of SASF and that a neutral and professionally managed SASF would have been able to achieve better results. Further, the powers delegated to the Committee of Officers (COO), Executive Committee (EC), Board of Trustees (BOT) and Screening Committee (SC) may be thoroughly revamped by the Ministry keeping in mind that the cases left with recovery are more complex and tricky and need to be dealt with more focused attention. Also, before appointing a partner of the Chartered Accountants Firm which verified and certified the stressed assets, as Trustee of SASF, the Ministry may look into the issue of conflict of interest, any financial consequences considering their earlier involvement with IDBI, complicity in its appointment and take appropriate disciplinary action against the responsible officials of the Ministry/IDBI.

The Committee further noted that the Trust did not make any realistic and scientific assessment of requirement of manpower for its functions. The number of officials deployed was 50 in 2005 and came down to 24 in 2013. The Trust made proposals during different periods for additional manpower on ad-hoc basis, though there was no written proposal. During 2005 to 2013, 121 officials of the parent body, IDBI, were deputed at some point of time or other to serve the Trust. 62 out of 121 employees worked in less than two years with SASF. Similarly, out of 62 officials, 25 worked for less than one year. Interestingly, only 16 out of 121 officials possessed recovery experience and four officials who have been deputed by IDBI were facing disciplinary proceedings.

The Ministry submitted that the SASF had scientifically assessed the staff requirement at SASF taking into account the number of cases handled at various levels i.e., resolved, unresolved and chronic NPA cases. The response of the Ministry was seen in the light of frequent proposals for manpower requirement indicating that the assessment was inadequate and unscientific and there were no written proposals prior to July 2012 indicating that the proposals made by SASF were on ad-hoc basis.

The Committee further deplored the appointment of staff who were inexperienced and untrained in corporate banking and recovery of stressed assets. The Committee also noted that the interviews for deputation in SASF were conducted by the IDBI and not by the SASF. The response of the Ministry that the responsibility of providing staff to SASF was given to IDBI Bank and it was not specified in the arrangement that SASF would interview the candidates. Further, the officers were directly posted in SASF by the Bank after seeing requisite qualification and experience required by an officer for deputing to SASF. The Committee were of the firm view that the staff with SASF were not scientifically placed as frequent staff proposals were

*made. The Committee were of the view that an independent team trained in realization of NPAs would have been a better choice for taking care of the interests of the Government. The Committee felt that the non-realisation of balance NPAs may be seen as non-performance of SASF owing to the temporary organizational set-up and inadequate manpower deployment at the SASF. The Committee opined that the recoveries are majorly dependant on the efficiency of the officials deployed for recoveries and therefore incentives should be given for good performances. The Committee desired that the existing manpower deployment may be reviewed in a scientific manner and staff with dynamic experience and expertise in recovery of unresolved and chronic NPAs be placed/engaged at the disposal of SASF for optimum recovery of balance NPAs.*

20. In this regard, the Ministry of Finance (Department of Financial Services) in their Action Taken Note have stated as under:-

“SASF has apprised that the Chairperson/ alternate Chairperson /Executive Trustee were the CMD/DMD/ED of the Bank who was very senior functionaries of IDBI with long experience in banking and handling of rehabilitation and recovery of stressed assets. Their understanding of the industry, asset portfolio and the specific cases had helped the SASF in resolution of the cases. Apart from the two IDBI officials on the Board of Trustees of SASF, there were, initially three and subsequently two, independent professionals appointed by DFS, GoI.

SASF has further apprised that M/s Haribhakti & Co., the CA firm had only carried out a limited due diligence for the purpose of verifying and certifying the correctness of information, set out in the data profiles, prepared by IDBI with regards to the assets identified for transfer to SASF. Ministry of Finance has advised SASF to ensure strict separation of functions in future while engaging Chartered Accountants for accountancy or audit purposes, and to avoid any potential conflict of interest in assigning work to Chartered Accountants by ensuring due disclosures and proper scrutiny of past engagement”

*(Reply to Para 1 of the Recommendation)*

“Observations are factual.”

*(Reply to Para 2 of the Recommendation)*

“SASF has apprised that a draft paper for revision/modification of Delegation of Powers as also Recovery Policy, to be in line with market practices and current situation has already been finalised. The same shall be placed before the Board of Trustees for their consideration.”

*(Reply to Para 3 of the Recommendation)*

“SASF has informed that a manpower assessment had been undertaken from time to time and requested IDBI Bank Ltd. to depute the required manpower with requisite skills/background. SASF is presently dealing with 277 cases, which are being handled by a team of 4 DGMs assisted by 18 officers, including legal and accounts. The officers deputed by IDBI Bank over the years had work experience of corporate finance which is useful for dealing with NPA cases as also in negotiating settlements with the defaulting borrowers and/or dealing with other lenders. The existing manpower is adequate to handle the present portfolio of SASF. However, considering legal issues and complexity of the remaining cases as also in order to strengthen the team, it has specifically sought for posting of additional experienced legal officers.

SASF has apprised that subsequent to modification of Deputation Policy of IDBI Bank, the Selection Committee constituted for selection of officers for deputation to SASF on two instances, was comprised of Executive Trustee/CGM of SASF as one of the panel members.”

*(Reply to Para 4, 5 & 6 of the Recommendation)*

21. While vetting the said ATNs, the Audit made the following comments:-

“It is verified that two independent professionals, retired from banking sector, are the trustees of SASF. However, the chairman and other two trustees are from the IDBI Bank. As such, the concern endorsed by PAC has not been addressed. The reason for this may please be intimated to PAC.”

*(Vetting comments to Ministry's reply at Para 1 of the Recommendation)*

“ Factual statement. Hence, no further comments.”

*(Vetting comments to Ministry's reply at Para 2 of the Recommendation)*

“The reply on the draft paper for revision/modification of Delegation of Powers as also recovery policy, to be in line with market practices and current situation has already been finalised in not factual as SASF's revised/modifying, DoP and Recovery Policy is yet not finalised.

The modification in DoP and Recovery Policy is in the process and yet have not completed. Progress in this regard may be intimated to PAC.

Factual statement. Hence, no further comments.”

*(Vetting comments to Ministry's reply at Para 3 of the Recommendation)*

"The manpower strength of SASF is at 21 officers as on 25.5.2018. SASF is also following up with IDBI Bank for posting of additional officers.

As manpower is declining, additional experienced officers need to be posted. Progress in this regard may be intimated to PAC.

Officers to SASF are being posted by HRD, IDBI in consultation of CGM and Executive Trustee, SASF."

*(Vetting comments to Ministry's reply at Para 4,5 & 6 of the Recommendation)*

**22. The Committee in their original report had noted the 'revolving door' policy as IDBI had an over-riding presence in management of SASF. The Committee, therefore, asked the Ministry to thoroughly revamp the powers delegated to Committee of Officers (COO), Executive Committee (EC), Board of Trustees (BoT) and Screening Committee (SC) to have focused attention on remaining complex cases for recovery. The Committee while observing complicity in appointment of the Chartered Accountant (CA) firm had desired disciplinary action against those responsible in the Ministry/IDBI. The Committee had also noted that the assessment for deployment of staff at SASF was unscientific and desired that persons with expertise in recovery of unresolved and chronic NPAs be placed at disposal of SASF. The Committee note from the reply of Ministry that SASF has prepared a draft paper for revision/modification of Delegation of Powers (DoP) as also Recovery Policy for placing before the BoT & reiterate their earlier stand to thoroughly revamp the powers delegated to COO, EC, BoT and SC to achieve the larger perspective of recovery in remaining complex cases. The Committee note from the reply of the Ministry that it has advised SASF to ensure due disclosures and proper scrutiny of past engagement of CAs while assigning the work in future. The Committee desire to be apprised of the action taken against those responsible in Ministry/ IDBI for engaging a CA firm having a Trustee of the SASF Board as a partner. Further, regarding the Committee's concern to review the deployment of manpower to SASF, they are constrained to note from the reply of the Ministry that SASF is yet to get additional experienced legal officers. The**

Committee desire the Ministry to fast track the process of deployment of professionals at the disposal of SASF as the Trust has a mandate of 20 years i.e. 2024 for redeeming GoI securities.

**23. IDBI Bank's rising Non-Performing Assets (NPAs)**  
**(Recommendation Para 10)**

*The Committee noted that the RBI has placed IDBI Bank under Prompt Corrective Action (PCA) on the basis of the IDBI Bank's financial position as on December 31, 2016. The Committee further noted that as on December 2016 the Net NPA at ₹20949 constitute 9.61 per cent of the net advance of IDBI Bank. Further the increasing Gross NPA and Net NPA of IDBI Bank at ₹44752 crore (21.25 per cent) and ₹25206 crore (13.21 per cent) respectively as on March 2017 as compared to Gross NPA of ₹24875 crore (10.98 per cent) and Net NPA of ₹14643 (6.78 per cent) as on March 2016, are indeed alarming. The Committee were shocked to note that in less than 20 years after the Government cleared the Balance Sheet of IDBI, it has again fallen into the debt trap of NPA. The Committee were of the considered opinion that the huge NPAs of the Public Sector Banks point towards their faulty lending policies. The Committee observed that the creation of SASF, mergers, capital infusions are not able to address the problem of rising NPAs and now the Government would have to think innovatively for a long- term solution. The Committee, therefore, desired that after analyzing the sectors where NPAs are rampant, insurance of the loans may be made mandatory for those sectors and since personal guarantees and securities are also not yielding desired results professional bodies may be engaged for underwriting the loans and the collaterals should be mandatorily insured. The Committee while acknowledging that this will increase the cost of loans, desired that incentives may be offered, at the time of payment of last installment, for the borrowers who pay off their loans timely. The Committee exhorted that exemplary punishments should be awarded to the officials who worked in tandem with big corporate and siphon off the money of public exchequer without adequate collaterals or personal guarantees.*

24. In this regard, the Ministry of Finance (Department of Financial Services) in their Action Taken Note have stated as under:-

" SASF has apprised that erstwhile IDBI was a development financial institution and major part of its exposure was in large scale industries including infrastructure, steel, telecom, textiles, roads etc. Because of historical reasons, IDBI Bank Ltd. continues to have higher level of exposures in these sectors. NPA position of IDBI was in control till FY 2012-13. However, because of general economic slowdown, many large projects got stalled. There were issues relating to various clearances, cancellation of coal mines/spectrum etc. which dented performance of many infrastructure projects which slowly turned stressed/non-performing. This is a general trend across banking industry. IDBI Bank has been impacted more severely because of its limited exposure to retail (24%). Even out of corporate loan book, major exposure is in core/infrastructure sectors.

SASF has apprised that wherever connivance of staff is observed, stern action is initiated by IDBI internally as also by external agencies such as CVC, CBI etc. as per established systems and policies."

25. While vetting the said ATNs, the Audit made the following comments:-

" Factual Statement. Hence no further comments.

The specific reply on wherever connivance of staff is observed, if any, and action taken by IDBI has not been furnished by SASF. The same may be intimated now for better appreciation of the PAC."

**26. The Committee had noted that even after Government cleared the Balance Sheet of IDBI, it again fell in to the debt trap of Non-Performing Assets (NPAs) and were of the considered opinion that huge NPAs of Public Sector Banks (PSBs) pointed towards their faulty lending policies. The Committee, therefore, desired the Government to analyse sectors where NPAs are rampant and make insurance of loans of mandatory for those sectors as also to engage professional bodies for underwriting the loans and collaterals be mandatorily insured. The Committee desired that although it would increase cost of loans, incentives may be offered, at the time of payment of last instalment, for the borrowers who pay off their loans timely. The Committee also exhorted for exemplary punishments to the officials who work in tandem with big corporate and siphon off the money**

of public exchequer without adequate collaterals or personal guarantees. The Committee note from the reply of the Ministry that because of historical reasons, IDBI Bank Ltd. continues to have higher level of exposures in large scale industries and due to general economy slowdown impact on IDBI Bank has been severe because of its limited exposure to retail. Also stern action is initiated by IDBI internally as also by external agencies wherever connivance of staff is observed. The Committee are dismayed to note that no reply has been furnished by the Ministry on the issue of 'insurance of loans to be made mandatory' and engaging professional bodies for underwriting the loans and collaterals. The Committee, therefore, reiterate their earlier recommendation for providing incentive to the borrowers who pay off their loans timely and exemplary punishment be awarded to officials who have maligned the image of the Bank.

Further with the recent developments in IDBI Bank wherein Life Insurance Corporation of India (LIC) has acquired majority shares of the IDBI Bank, the Committee desire that the arrangement should not come in the way of providing robust back-up to SASF for recovery of money from the remaining stressed assets.

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## CHAPTER II

### **OBSERVATION/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Observation/Recommendation**

The Report No.5 of 2014 of the C&AG contains the results of audit of Stressed Assets Stabilisation Fund (SASF), a Trust created by the Government of India (GoI) to acquire by transfer the Stressed Assets of Industrial Development Bank of India (IDBI) and for managing these assets with a view to recovering the amounts due on these assets. As of March 2004, IDBI accumulated Non-Performing Assets (NPA) stood approximately at ₹ 9000 crore. The IDBI ceased to exist with effect from 1 October, 2004 and in its place IDBI Bank came into being as an entity registered under the Companies Act, 1956. The Government, as settlor, set up a special purpose vehicle in the form of a Trust and created the SASF for Stressed Assets of IDBI in September 2004. The Government invested ₹ 9,000 crore in SASF in the form of Non-Interest bearing Government of India IDBI Special Securities 2004 redeemable in 20 years. SASF assigned these Special Securities of ₹ 9,000 crore to IDBI Bank, which in turn transferred NPAs with Net Loan Outstanding (NLO) of ₹ 9,000 crore to SASF. In terms of the provisions of the Trust Deed, SASF is required to remit the amounts recovered out of the Stressed and Non-Performing Assets to the GoI, and GoI at the end of February / March every year to pay IDBI Bank the amount received from SASF against surrender (for redemption) of Special Securities of equivalent amount. SASF since October 2004 till Financial Year 2015-16 has recovered and remitted to the GoI ₹ 4,514 crore for redemption of the special securities and the balance securities that are yet to be redeemed are ₹ 4,486 crore (as on March 31, 2016).

The Committee note that audit of SASF was entrusted to the CAG of India by the Ministry of Finance in May, 2013 almost eight years after the setting up of the Trust. Audit has pointed out a number of deficiencies in managing the Trust including delay in entrusting the Audit of SASF to C&AG, inadmissible exchange of cases between SASF and IDBI and ineffective personal guarantees owing to absence of income and property details, not ascertaining the net worth/ income of the promoters for settling the accounts

and short recoveries etc.. The examination of the subject by the Committee brought out several shortcomings which have been dealt with in the succeeding paragraphs.

**[Observation/Recommendation No. 1 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

**Action taken by the Ministry**

Observations are factual. Till date, aggregate amount remitted by SASF to GoI is Rs.4,654 crore for redemption of the special securities. In addition, regarding inadmissible exchange of cases between SASF and IDBI, IDBI Bank Ltd. has agreed to reimburse GoI to the tune of Rs. 1,064.27 crore, in 11 equal quarterly instalments starting from September 2016, for transfer of the assets referred to in Sl. No. 5, Paragraph No. 1 of the PAC Report, and against this the bank has remitted to GoI Rs.483.75 crore in five instalments till September 2017. Thus, a total amount of Rs. 5,137.75 crore stands remitted to GoI till September 2017, with remittance of a further amount of Rs. 580.52 crore from the Bank in six quarterly instalments till March 2019 tied up.

(Reply to Para 1 of the Recommendation)

Observations are factual. Response to the various observations of PAC is given in the succeeding paragraphs where details have been brought out.

(Reply to Para 2 of the Recommendation)

**Vetting Comments of the Audit**

As on 31.3.2018, aggregate amount remitted by SASF to GoI was Rs.4774 crore towards redemption of the special securities.

Rs.4226 crore is still to be recovered and remitted to GoI. Progress in this regard may be incorporated in the ATN.

Regarding inadmissible exchange of cases between SASF and IDBI, IDBI has surrendered security worth Rs. 677.25 crore towards redemption/written off. Securities till 31.3.2018.

An amount of Rs.387.02 crore regarding inadmissible exchange cases is pending from IDBI Bank. Progress in this regard may be incorporated in the ATN.

(Vetting Comments to Ministry's reply at Para 1 of the Recommendation)

Factual Statement. Hence no further comments.

(Vetting Comments to Ministry's reply at Para 2 of the Recommendation)

### **Observation/Recommendation**

The Committee note that SASF was created as a special purpose vehicle to acquire the stressed assets of IDBI Bank and recover the NLO dues against these assets. At first, 636 Non Performing Assets (NPA)/ stressed loan assets with a net loan outstanding (NLO) of ₹ 9,004 crore of IDBI Bank was transferred to SASF. The Government then provided ₹ 9,000 crore to SASF which in turn was invested in Government securities, redeemable in 20 years and pledged back the securities with IDBI. In this regard Government securities amounting to only ₹ 4514 crore have been redeemed (FY 2015-16) against a balance of ₹ 4486 crore. Further noting that the bulk of recovery (₹ 2608.29 crore) was effected in the initial period of the Trust i.e. during 2005-06, 2006-07 and 2007-08 (with highest recovery of ₹ 927.68 crore in 2006-07) and the recovery amount thereafter declined significantly since then indicate that the cases left now are more complex and difficult. The Committee are of the opinion that with the declining pace, the prospect for recovery of remaining NLOs seems to be bleak. The Committee, therefore, recommend that SASF make all-out efforts on cases pending recovery, engage specialized and experienced professionals/staff to facilitate expeditious settlement of all NLO cases within the maturity term of the Government securities. More importantly, the Government needs to monitor the progress made by SASF and speed-track the recovery of balance NLO and make timely intervention for any lapses noticed in the process. The Committee further recommend that the Ministry may form a high level Monitoring Cell which may be entrusted with the responsibility to review on monthly, quarterly and annual basis every aspect related to SASF towards meeting its stated objective.

**[Observation/Recommendation No.2 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

### **Action taken by the Ministry**

Observations are factual.

SASF has apprised that it is pursuing action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI)Act, 2002 in 116 cases, while simultaneously exploring One Time Settlement (OTS) or Negotiated Settlement (NS) in 76 cases. SASF is also pursuing 222 cases through DRT suits/recovery certificates and 9 cases are under reference to National Company Law Tribunal(NCLT). Further, follow-up with OL is being made in 61 cases for expeditious release of SASF's share lying with OL and for sale of assets under possession of OL. In addition, SASF has reported that it is regularly identifying cases, based on prospects of recovery. Focussed attention is being given for early recovery in 97, 55 and 78 cases for FY 2015-16, 2016-17 and 2017-18 respectively.

SASF has apprised that during the course of recovery action, it engages services of professionals/specialised agencies which, *inter-alia*, include Enforcement Agencies/Recovery Agents for SARFAESI, valuers for valuation of the assets charged to lenders, e-auction providers for conducting public auction through the e-auction platform and private detective agencies to identify unencumbered assets of guarantors, to enable it to maximise recovery in a timely manner.

A Monitoring Cell for monitoring recovery of dues against assets transferred to SASF has been set up as recommended.

### **Vetting Comments of the Audit**

Recovery is not yet completed. The status of recovery may be brought to the notice of PAC.

Factual statement, as stated by the management (May 2018) subsequent to CAG audit in May 2013, out of 312 cases, 48 cases have since been closed and 6 cases have been re-categorised as unresolved. Out of 76 cases mentioned under OTS/NS, OTS/NS has already been completed in 52 cases and payment is being received in 5 cases (timely in one case and with delay four cases).

The Recovery of above mentioned 24 out of 76 cases is pending and the progress of recovery may be intimated. Progress in this regard may be intimated to PAC.

SASF had identified 97, 55 and 78 cases for focused recovery actions during the year 2015-16, 2016-17 and 2017-18 respectively. There is overlapping of these cases and these are total 136 cases. An amount of Rs.172.33 crore has been recovered from 58, focused cases from April 2015 to April 30, 2018.

Recovery from focused cases is pending. Progress in this regard may be intimated to PAC.

SASF had engaged the services of the professional agencies for marketing of the assets in two cases, however, the experience has not been encouraging in this regard. In one account, where SASF is also a lender, ARCIL had engaged services of professional agencies, but there was no success in that case also. In all these cases professional agencies have failed to sell the assets at the indicated Reserve Price. Progress in this regard may be brought to the notice of PAC.

The monitoring cell has been set-up in January 2018.

A note on the activities undertaken by the monitoring cell and its effectiveness may be added for appreciation of the PAC.

#### **Observation/Recommendation**

The Committee note that as per Clause 18C of the Trust Deed, all the costs of administering the Trust are to be borne by the IDBI. However, the expenditure of ₹ 72.86 crore for the period from 2004-05 to 2011-12 pertaining to safeguarding the borrowers assets was reimbursed to IDBI from the recoveries made from the borrowers. The Committee are of the view that had the Trust been not established, the expenditure on safeguarding the asset would have been borne by the IDBI and moreover, there is no provision in the Trust Deed to recover such amount from the realization of stressed assets. The Committee observe that the Clause 18(c) of the Trust Deed categorically mentions that all costs of administering the Trust have to be borne by IDBI or its successors. The Committee further find that the Ministry had accepted the audit finding and issued direction to IDBI in August 2014 itself to return the amount to SASF. However, IDBI only agreed to reimburse the amount only when the matter was raised during the evidence of the Committee held on 17.7.2015 and finally reimbursed the amount on 8.7.2016. The Committee are dismayed to note that IDBI took almost two

years after the Ministry's directive and one year after their own commitment to the Committee for reimbursing ₹ 72.86 crore just before the second evidence was to be taken by the Committee. The Committee feel that IDBI had deliberately ignored the explicit provisions in the Trust Deed for bearing the cost of administering the Trust. It is further surprising that, the Ministry also took more than 10 years in deciding that IDBI Bank has to bear all the expenses incurred on administering the Trust. The Committee view with disappointment the apathy of the Ministry, SASF and the IDBI Bank towards the interests of the Government of India and earnestly desire that the Ministry be prompt in its approach and clear instructions be issued to the IDBI Bank that all the expenses incurred on safeguarding borrowers assets may be borne by the Bank.

**[Observation/Recommendation No. 4 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

**Action taken by the Ministry**

Subsequent to the Audit, all expenses incurred by SASF towards security, advocate fees, publication of notices etc. in respect of the borrower's accounts have been paid by IDBI Bank Ltd. and SASF has not reimbursed any amount to IDBI Bank. IDBI Bank has refunded an amount of Rs.72.86 crore on 8.7.2016 to SASF as directed. The recovery of such amount from the borrowers, as and when made, is included in the remittance made by SASF to Gol. Further, instructions as per committee's recommendation have been issued to IDBI Bank.

**Vetting Comments of the Audit**

The IDBI Bank has remitted an amount of Rs. 111.72 crore (Rs.72.86 crore in July 2016 and Rs.38.34 crore in March 2018) to SASF as per the recommendations of the PAC committee. Hence, no further comments.

(Vetting Comments to Ministry's reply at Para 1 of the Recommendation)

**Observation/Recommendation**

The Committee note that no personal guarantees were obtained by IDBI in eight cases, in 27 cases, copies of personal guarantee were not produced and in 47 cases, property

details were not available against the loans. Further, there was no system of obtaining copies of the income-tax returns and property details of the guarantors. The Committee further note that there was no mechanism to check the capability and competence of the guarantors to give such guarantee in the absence of relevant details or documents. The Committee feel that in absence of the property and income details of the guarantors the personal guarantee obtained are of no use which is evident from the failure of the Trust in enforcing these guarantees while making recoveries. The Committee further note that no specific guidelines were issued by the Trust for treatment of personal guarantees. In many cases, the Trust did not collect the details of assets of the guarantors or copies of their income-tax returns. The Committee observe that obtaining personal guarantee is not mandatory and RBI have no specific guidelines as far as personal guarantees on general lending is concerned as it is individual Bank's commercial decision. The Committee further understand from the submission made during the evidence by the representative of the IDBI Bank that the policy at that time did not envisage getting all the details or getting personal guarantee in all the cases. The Committee are of the considered opinion that the instrument of personal guarantee is an effective tool to prevent loans from becoming NPAs/bad loans as it acts as a deterrent for those taking advantage of limited liability entities. The Committee exhort that IDBI should have initially taken adequate precautionary measures to safeguard its interests for recovery of loans thereby protecting the commercial interest of the Bank. The Committee are of the opinion that had the SASF not failed in obtaining details of assets of guarantors, net worth of the borrowers, Income Tax returns, affidavit of assets filed by the guarantors in the Courts / DRTs besides net worth certificate by a Chartered Accountant and liability statements, maximum recovery would have been assured without any complexities. The Committee note that the Trust has revised the policy and stipulated the requirement for furnishing full details of the means of guarantors and desire that disciplinary action be taken against officials responsible for lack of seriousness in collecting the required collaterals and guarantees while sanctioning the loans resulting in huge loss to the exchequer.

**[Observation/Recommendation No. 6 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

### **Action taken by the Ministry**

SASF has apprised that all loans had been granted by IDBI while functioning as a Developmental Financial Institution (DFI), based on project viability and cash flows, and not on the basis of personal guarantee(s) or collateral securities. Many of the projects could not generate enough cash flows due to adverse business cycles, policy changes and other external factors beyond their control and hence were identified as NPA and shifted to SASF for focussed attention for recovery.

SASF has further apprised that IDBI, as a DFI, was incorporated as a statutory corporation under the Industrial Development Bank of India Act, 1964 and it continued to function as a DFI till its reverse merger with IDBI Bank in October 2004. IDBI Act, 1964 authorised IDBI's Board of Directors to frame policies relating to conduct of its business, including for sanction of assistance to borrower companies. Pursuant to the same, the Board of the erstwhile IDBI had approved and modified the Direct Finance Manual of policies and procedures relating to extension of finance to assisted companies from time to time. As per the manual, personal guarantee / corporate guarantee (if any) was to be stipulated as an additional security wherever considered necessary, on a case to case basis. This was true for all types of assistance ,viz. project/non-project/equipment finance or asset credit schemes of the institution. As per the then prevailing policy, the Deed of Guarantee to be executed by the guarantor did not require furnishing of Statement of Assets and Liabilities by the guarantor to IDBI.

In addition, SASF has apprised that there are no specific guidelines from RBI regarding obtaining details of the assets of the guarantors offering personal guarantee as security for a loan. It was only in 2000 that as a matter of prudent practice, IDBI,*vide* Circular No. 7 dated 10.5.2000, put in place a system of obtaining particulars of assets owned by guarantors at the time of execution of the Deed of Guarantee, which also incorporated suitable covenants that the Guarantor shall not dispose of the assets without prior approval of IDBI and also undertakes to inform IDBI regarding acquisition of new assets acquired by him.

Relevant extracts of supporting documents are at Annex.

SASF has added that although details of personal assets of the guarantors were not available, SASF was continuously pursuing with the company/promoters concerned for recovery of the dues either as sole lender or as part of consortium.

SASF has informed that it has since revised its procedures and has been obtaining net worth certificate of the guarantors duly certified by Chartered Accountant, detail of Income Tax Returns as also bank account statements while considering settlement of the dues of the borrower company/ guarantors.

**Vetting Comments of the Audit**

Factual statement. Hence no further comments.

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## **CHAPTER III**

### **OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT**

**- NIL -**

## CHAPTER-IV

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION**

#### **Observation/Recommendation**

The Committee in their original Report noted that the Trust had requested C&AG in June 2005 to appoint an auditor in pursuance of the provisions of the Trust Deed. Since the provisions of C&AG's Duties, Powers and Conditions of Service (DPC) Act 1971 stipulate that the C&AG would undertake audit only after receipt of a formal proposal from the Ministry, SASF was advised to forward a proposal through the Ministry and the audit of SASF was entrusted to CAG by the Ministry, for the period 2004-05 to 2013-14, only in May 2013, that too, after the intervention of the Mumbai High Court in February 2013. Moreover, subsequent Audit of the SASF from 2014-15 onwards was not entrusted to C&AG despite their taking up the matter with the Ministry in January, 2014, February, 2015, May 2015 and February, 2016. The Committee are were aghast to observe that in spite of the request from the Trust in June, 2005, the Ministry deliberately did not pay any attention to make a formal request to the C&AG for the audit of SASF. The Ministry arose from its pretentious slumber after long eight years in 2013, only when the Mumbai High Court directed them to do so. The conscious attitude of the Ministry was vividly clear from the fact that they ignored similar requests of the C&AG repeatedly in January, 2014, February, 2015, May, 2015 and February, 2016 to entrust the audit of SASF. The Committee took serious note of the lackadaisical attitude of the Ministry during the evidence and now as per the Ministry's submission the audit of SASF for the period of 2013-18 was entrusted to the C&AG. The Committee were of the considered view that the conspicuous delay to entrust timely Audit of SASF to the C&AG directly puts responsibility of the lapses made by SASF during these years on the Ministry. The Committee desired that the Ministry may ascertain the reasons for the deliberate delays, on both occasions, in entrusting the Audit of SASF to C&AG and fix responsibility on erring officials in both the cases. The Committee also noted that Clause 17(a) of the Trust Deed states that "the accounts of the fund shall be maintained and audited by the C&AG of India". The Committee noted from the C&AG's observation in this regard that the provision of maintenance of accounts by the C&AG had been mistakenly placed as the C&AG only audits the accounts prepared by the Executive. The Committee desired that necessary amendments may be incorporated in the Trust deed and may clearly provide for vivid and concise provisions in the clause so that no further mis-interpretation may be read in future. The Committee further desired that the Ministry in order to secure the interests of the Government take prompt and timely

action in entrusting the audit to the C&AG, taking remedial action on their observations and apprise the position within six months of the presentation of this Report.

**[Observation/Recommendation No. 3 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

**Action taken by the Ministry**

The matter of audit of SASF was raised before Bombay High Court in PIL no. 65 of 2011 Madhav Balwant Karmakar vs. Union of India & Others. Ministry of Finance submitted on 6.3.2012 that as per paragraph 17 of the Trust Deed, the accounts of SASF shall be maintained and audited by CAG. CAG submitted on 21.6.2012 that under the Constitutional scheme, CAG does not maintain accounts. However, if directions are given by Union of India to audit the accounts of SASF, CAG would have no difficulty in doing so. The Court sought to know on 30.1.2013 whether Union of India intends to instruct CAG to audit the SASF's accounts. Thereupon, on 8.2.2013, Ministry of Finance requested CAG to arrange for audit of SASF's accounts for the period 2004-05 to 2013-14. As regards audit for the period 2014-15 to 2018-19, Ministry of Finance, vide letter dated 13.7.2016, requested C&AG to conduct the audit, and C&AG has concurred vide letter dated 30.11.2017 to undertake the audit of SASF for the said period. Accordingly, Department of Economic Affairs, vide letter dated 5.12.2017, has conveyed re-entrustment of audit of SASF's accounts by CAG for the said five-year period to CAG. As regards action on CAG's observation, CAG Report no. 5/2014 on SASF, action taken on thereport has been communicated to CAG *vide* letter dated 13.7.2017.

**Vetting Comments of the Audit**

The reply of the ministry was silent on the issue that "The committee desires that the Ministry ascertain the reasons for the deliberate delays, on both occasions, in entrusting the Audit of SASF to C & AG and fix responsibility on erring officials in both the cases". The reply of the same may please incorporated in the ATN for the better appreciation of the PAC.

**Observation/Recommendation**

The Committee in their original Report noted that between September 2004 and May 2005, IDBI, by executing six transfer/assignment/transfer of mortgage deeds, assigned 636 stressed assets with NLO of ₹ 9004 crore to SASF. IDBI Bank submitted

(February 2006/April 2006) proposals to GoI for exchange of turnaround cases for other stressed assets. Exchange of cases was not permissible as the objective of formation of SASF was to take over the NPAs/potential NPAs existing as on March 2004 only. The GoI intimated (May 2006) IDBI Bank that the Stressed Assets Stabilisation Fund was created for a specific purpose, i.e., for stressed assets for that point of time and it would not be proper to extend the scope and life of SASF. Despite this, the Board of IDBI Bank decided (June 2006) and Board of Trustees approved (24 June 2006) exchange of eight turnaround cases with NLO of ₹1522 crore for three fresh cases with NLO of ₹1335.29 crore. The transfer deed was executed between IDBI Bank and SASF for exchange of cases. Audit noticed that in eight cases, which were transferred to IDBI in 2006, against a total NLO of ₹1522.29 crore, the recovery made was ₹1659 crore. On the other hand, the position of the three cases transferred to the Trust against a total NLO of ₹1335.29 crore, the recovery made was just ₹360.32 crore. Thus, this inadmissible exchange which was not approved by the Government of India, benefitted IDBI. On the assets transferred to IDBI, the recovery was even more than the NLO and on the assets received by the Trust in exchange, the recovery was minimal.

The Ministry in their reply to the Audit observation stated that the exchange of assets was not in line with the objective and scope of formation of SASF and the Bank took a business decision in the interest of the Bank to save some stressed assets in which there was a scope for revival. The Committee noted from the submission made by the IDBI Bank that Ratnagiri Gas & Power Pvt. Ltd. (RGPLL) was set up to take over and revive the assets of Dabhol Power Company Project on the direction of Government of India. Further, the Ministry submitted that the restructuring would not have been possible with account remaining with SASF as it had no mandate or capacity to provide additional funds to carry out day-to-day monitoring of the operation of the accounts. The transfer of equivalent amount of stressed assets to SASF was done to bring about parity of exchange. The Committee were dismayed to know that the Ministry did not take immediate appropriate action at the time when SASF and IDBI exchanged assets in violation of the GoI orders. The Committee noted from the reply of Ministry to their specific query regarding the exchange of assets that Ministry came to know about exchange of Assets only from the C&AG Report (i.e., exactly 8 years from the date of execution of transfer deed in June 2006 and the C&AG Report on the subject tabled in July 2014). However, the Ministry in their written submission in the same document has justified the exchange stating that SASF did not have mandate other than recovering the amounts due on the assets. The Committee were shocked to note the confusing statements made by the Ministry on the issue of inadmissible exchange. The Committee while taking serious view of the decision of IDBI Bank and SASF to execute the transfer deed in contravention of the Ministry's direction felt that the lackadaisical approach of the Ministry to monitor the progress made by the SASF and failure to follow-up on its own direction resulted in loss to the SASF. The Committee were of the view that SASF should have insisted on redeeming equal

amount of bonds in exchange of stressed assets in case of RGPPL, which was restructured. The Committee also took serious note of the inadmissible exchange. The MD &CEO, IDBI during the sitting of the Committee held on 12 July, 2016 committed that securities worth ₹ 1064.27 crore would be surrendered to the GoI. The Committee found that the IDBI Bank has provided to surrender securities worth ₹ 198.50 crore in last two quarters upto December 31, 2016 and has assured that the remaining securities worth ₹ 870.77 crore would be provided in the following 9 quarters. The Committee were dismayed to note that despite repeated requests made by the Committee Secretariat to provide specific information and their views of the matter of surrender of securities, the Ministry has failed to respond. This showed the utter non-serious attitude of the Ministry towards managing the affairs of SASF with due diligence and promptness. In view of lack of any inputs from the Ministry on the matter, the Committee were of the considered view that the above request of IDBI Bank for surrender of securities in installments may be considered by the Ministry after reviewing the financial position of the IDBI Bank and the Committee may be apprised of the same at the earliest. The Committee desired the Ministry to initiate an independent investigation into the matter and take penal action against the officials of the Ministry/ IDBI Bank/ SASF responsible for taking action in violation of the directions of GoI resulting in huge financial losses to the exchequer. The Committee further reprimanded the Ministry towards their non-serious attitude in non-furnishing of desired information to the Committee and desired that recurrence of such instances be strictly avoided and fix the responsibility against the concerned officials in the matter.

**[Observation/Recommendation No. 5 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

**Action taken by the Ministry**

Vide its letter dated 27.7.2017, IDBI Bank Ltd. has started reimbursement of Rs.1,064.27 crore, on account of loss on exchange of assets, in 11 equal quarterly instalments starting from September 2016 and Rs.483.75 crore has been paid up to 30.9.2017.

(Reply to Para 1 of the Recommendation)

Vide letter dated 27.7.2017, IDBI Bank Ltd. has started reimbursement of Rs.1,064.27 crore, on account of loss on exchange of assets, in 11 equal quarterly instalments starting from September 2016, and Rs.483.75 crore (5 instalments) has already been

paid up to 30.9.2017. Through reimbursement by the Bank, loss on account of the transfer is expected to be neutralised.

(Reply to Para 2 of the Recommendation)

### **Vetting Comments of the Audit**

The total amount of reimbursement as on 31.3.2018, was Rs. 677.25 crore towards inadmissible exchange of assets. However and amount of Rs. 387.02 crore is pending from IDBI Bank. Progress in this regard may be intimated to PAC.”

(Vetting comments to Ministry's reply at Para 1 of the Recommendation)

Till 31.3.2018, IDBI has surrendered security worth Rs. 677.25 crores towards redemption/ written off of securities.

An amount of Rs. 387.02 crore is pending from IDBI Bank. Further the reply of the ministry is silent on the following aspect i.e. The committee desire the Ministry to initiate an independent investigation into the matter and take penal action against the officials of the Ministry/ IDBI Bank / SASF responsible for taking action in violation of the directions of GoI resulting in huge financial losses to the exchequer. The same may be incorporated in the ATN for the better appreciation of the PAC.

(Vetting comments to Ministry's reply at Para 2 of the Recommendation)

### **Observation/Recommendation**

The Committee noted that the RBI has placed IDBI Bank under Prompt Corrective Action (PCA) on the basis of the IDBI Bank's financial position as on December 31, 2016. The Committee further noted that as on December 2016 the Net NPA at ₹20949 constitute 9.61 per cent of the net advance of IDBI Bank. Further the increasing Gross NPA and Net NPA of IDBI Bank at ₹44752 crore (21.25 per cent) and ₹25206 crore (13.21 per cent) respectively as on March 2017 as compared to Gross NPA of ₹24875 crore (10.98 per cent) and Net NPA of ₹14643 (6.78 per cent) as on March 2016, are indeed alarming. The Committee were shocked to note that in less than 20 years after the Government cleared the Balance Sheet of IDBI, it has again fallen into the debt trap of NPA. The Committee were of the considered opinion that the huge NPAs of the Public Sector Banks point towards their faulty lending policies. The Committee observed that the creation of SASF, mergers, capital infusions are not able

to address the problem of rising NPAs and now the Government would have to think innovatively for a long- term solution. The Committee, therefore, desired that after analyzing the sectors where NPAs are rampant, insurance of the loans may be made mandatory for those sectors and since personal guarantees and securities are also not yielding desired results professional bodies may be engaged for underwriting the loans and the collaterals should be mandatorily insured. The Committee while acknowledging that this will increase the cost of loans, desired that incentives may be offered, at the time of payment of last installment, for the borrowers who pay off their loans timely. The Committee exhorted that exemplary punishments should be awarded to the officials who worked in tandem with big corporate and siphon off the money of public exchequer without adequate collaterals or personal guarantees.

**[Observation/Recommendation No. 10 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

#### **Action taken by the Ministry**

SASF has apprised that erstwhile IDBI was a development financial institution and major part of its exposure was in large scale industries including infrastructure, steel, telecom, textiles, roads etc. Because of historical reasons, IDBI Bank Ltd. continues to have higher level of exposures in these sectors. NPA position of IDBI was in control till FY 2012-13. However, because of general economic slowdown, many large projects got stalled. There were issues relating to various clearances, cancellation of coal mines/spectrum etc. which dented performance of many infrastructure projects which slowly turned stressed/non-performing. This is a general trend across banking industry. IDBI Bank has been impacted more severely because of its limited exposure to retail (24%). Even out of corporate loan book, major exposure is in core/infrastructure sectors.

SASF has apprised that wherever connivance of staff is observed, stern action is initiated by IDBI internally as also by external agencies such as CVC, CBI etc. as per established systems and policies.

### **Vetting Comments of the Audit**

Factual Statement. Hence no further comments.

The specific reply on wherever connivance of staff is observed, if any, and action taken by IDBI has not been furnished by SASF. The same may be intimated now for better appreciation of the PAC.

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## CHAPTER V

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES**

#### **Observation/Recommendation**

The Committee note that during the period from 1 October 2004 to 31 March, 2014, out of the total 631 cases, 319 accounts were settled, 101 cases resolved and 211 cases were unresolved. Subsequently, as per the information received from the Ministry, during the period from 1 April 2014 to 31 March 2016, 13 more cases were resolved and the Trust has been able to settle these accounts by way of settlement/assignment of dues/sale of assets. Further, Audit analysis indicated that out of 52 cases with NLO of more than ₹ 25 crore, 19 cases were settled, nine cases were resolved and 24 cases remained unresolved. Further, out of the 319 settled cases, 300 cases were with NLO less than ₹ 25 crore indicating that the Trust was able to settle small cases and a large number of big cases remained unsettled. The Committee also observe that in 79 unresolved cases, SASF have failed to recover any amount. The Committee have serious doubt that full recovery of stressed assets is unlikely as the remaining accounts consist of chronic NPAs for more than at least a decade and are under various stages of litigation in Courts/Debt Recovery Tribunals. The Committee, therefore, impress upon the Ministry to revisit these cases and make proper valuation of the assets and explore all possibilities for maximum recovery of NLO.

**[Observation/Recommendation No. 7 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

#### **Action taken by the Ministry**

SASF has apprised that out of 24 cases indicated as unresolved, recovery of Rs.145.19 crore has been made in six cases from April 2013 to March 2017. Secured lenders (including SASF) have taken possession under SARFAESI Act in five cases. In respect of nine cases, there have been hindrances in recovery action on account of attachment of assets under/by Economic Offences Wing

(EOW), Maharashtra Protection of Interest of Depositors Act (MPID Act), Central Excise, Prevention of Money Laundering Act (PML Act), injunctions/investigations against the company and disputes regarding the mortgaged property. In respect of the remaining four cases, the action has been/being initiated at various forums*i.e.*NCLT, Official Liquidator (OL), Debt Recovery Tribunals(DRT) etc.

SASF has further submitted that out of 79 cases with nil recovery, SASF has made part recovery of Rs.29.09 crore in 16 cases subsequent to completion of the audit. The reason for no recovery in remaining cases are multiple litigations, attachment/injunction by various authorities, loans secured by only movable assets, mortgaged assets being located in tribal area, assets sold by OL/DRT but proceeds yet to be distributed, delay in obtaining District Magistrate's order for physical possession under SARFAESI, share of SASF in overall exposure being minuscule etc.

SASF has apprised that the sale of assets under DRT/SARFAESI/OL is made only after valuation of the secured assets. Valuation of secured assets forms the basis for any settlement/sale of assets by SASF and it is ensured that the valuation is of recent date to arrive at a realistic recovery estimate.

SASF has further apprised that it has completed valuation in respect of 75 accounts in the last three years and the valuation in respect of remaining accounts would be completed shortly.

#### **Vetting Comments of the Audit**

Factual statement.

Of the 24 cases, further recovery of Rs.10.30 crore has been made in 3 cases, during April 2017 to March 2018.

Recovery of above mentioned 24 cases is still pending. Progress in this regard may be intimated to PAC.

Of the 16 cases, further recovery of Rs.17.62 lakh has been made in one case through OL in FY 2017-18. In another case, SASF recovered Rs. 8.31 crore in FY 2017-18. SASF is pursuing recovery action in respect of these companies as well as guarantors under DRT/OL/ SARFAESI, NCLT, etc.

Recovery of above mentioned 16 cases is still pending. Progress in this regard may be intimated to PAC.

SASF has informed (May 2018) that remaining cases were reviewed and found valuation in two more cases and 41 cases have been identified for carrying out valuation. Quotations have been called from the valuers in 21 cases. Out of these 21 cases, valuers, valuers have already been appointed in three cases and valuation would be carried out shortly whereas in remaining cases, only one or two quotations have been received, because of which valuer could not be appointed. Follow-up is being made for obtaining quotations and appointment of valuer thereafter. Out of remaining 20 cases, where quotations have not been called, four cases are being referred to NCLT wherein valuation will be carried out by Interim Resolution Professional once case is admitted. In remaining 16 cases the valuation is not possible due to various reasons i.e. assets attached by ED/ OL, assets sold, assets not available/accessible etc.

The recovery of remaining accounts consists of chronic NPAs for more than at least a decade is pending. Progress in this regard may be intimated to PAC.

### **Observation/Recommendation**

The Committee observed that as per the recovery policy, valuation of the secured assets of the borrower should be carried out by a valuer engaged by SASF / other secured lender/Court. The policy also provided that value of security including collaterals available (on pro rata basis) and also amount of statutory liabilities and workers' dues shall form the basis for settlement amount. Fresh valuation could be sought if circumstances such as vintage of existing valuation, volatility of asset value, etc. so warranted. Where the value of securities was sufficient to cover the dues, the endeavour should be to recover the maximum amount. The Committee while taking note of the 21 settled cases examined by Audit where settlement amount was lower by ₹587.47 crore as compared to NLO of ₹1144.64 crore, observed that substantial short recovery (below NLO) occurred on large NLO accounts. Although, personal guarantees of some of the promoters of the firms were available with the Trust, the Trust did not make efforts to ascertain the net worth/income of the promoters before arriving at the settlement amount. Thus such settlements below NLO, without assessing the financial

capability of the promoters actually benefitted the promoters. At the same time in 20 out of the 21 settled cases, personal guarantees were taken from the promoters/borrowers, however, no property details were available on record of the Trust. The Committee were dismayed to note that in such cases the Trust also did not bother to collect the income tax returns from the guarantors.

In 15 resolved cases selected by Audit for examination, in 10 cases the settlement amount/amount received was below the NLO amount, aggregating to short recovery of ₹1590.49 crore as compared to NLO of ₹2171.92 crore. In these 10 cases, only in one case personal guarantees with property details were available and in another one case no personal guarantees were obtained. Further, in the remaining eight cases, though personal guarantees were obtained, property details were not available on the records of the Trust. The Trust also did not collect the income tax returns from the guarantors. It is particularly noticed that in this category, the steel sector companies are the major defaulters and the Trust has taken a substantial hit. In respect of Malvika Steel Ltd. and Usha Ispat Ltd. the settlement amount is only ₹41.78 crore and ₹48.07 crore as against the NLO of ₹594.54 crore and ₹321.80 crore respectively. It was really surprising that in both the cases, the Trust, inspite of having personal guarantees from the promoters of various borrowing companies did not try to ascertain the net worth of the promoters to realize optimum amount.

In 36 out of the 39 unresolved cases selected by Audit for examination, the Trust could recover only ₹150.54 crore against NLO of ₹1888.69 crore. The short recovery in these cases was to the tune of ₹1738.14 crore. The Audit analysis of the shortlisted 39 cases revealed that in 11 cases personal guarantees were taken from the promoters/borrowers and only in four cases property details were available and the Trust also did not collect the income tax returns from the guarantors. Further, the Committee noted that most of these cases may be sub judice, referred to BIFR or initiated/invoked under SARFAESI Act/ SFC Act.

The Committee, while looking at the cases took note of the fact that there are substantial number of cases where recovery has been made below NLO. The Committee expressed strong displeasure and direct the Ministry to look into all such cases where settlement below NLOs have been approved and fix responsibility of the officers responsible for the same. The Committee also desired to know whether the Trust's guidelines were in consonance of GoI/RBI guidelines laid from time to time and whether any provision for settlement below NLO was placed before and overseen by the Ministry. The Committee desired that the Ministry may investigate and ascertain whether Trust officials, involved in the cases, settled without determining the value of assets, are in connivance with the borrowers/ promoters and if so, take stringent action against the erring officials. The Committee further desired that CBI enquiry may be instituted to go into the entire gamut of events with a view to unearth criminality in the lapses on the part of the officials where short recovery was accepted.

The Committee further recommended that since the remaining cases are more complicated in nature, the Ministry may, under its aegis, directly oversee the progress made in those cases by forming a Coordination Committee. The new appointments to the Trust also may be made only after ascertaining their past record and that the official has no affiliation with the borrowers. The Committee further recommended that although the focus should entirely remain towards full recovery from every asset, considered view may be taken in genuine cases. The Committee further desired that the SASF's stated three pronged resolution strategy of Debt Restructuring, Compromise settlement and Legal measures along-with fast-track system may be timely monitored and reviewed by the Ministry.

**[Observation/Recommendation No. 8 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

#### **Action taken by the Ministry**

SASF has apprised that the settlement amount was arrived after considering SASF's pro-rata share in valuation of assets, statutory liabilities and worker's dues, pending litigations etc. As per SASF's Recovery Policy, emphasis was laid on early exit from the accounts and there was no specific restriction for settlement below NLO. The settlement in respect of 21 cases below NLO was mainly on account of value of assets not being adequate to cover NLO, statutory liabilities having priority over secured dues, unit lying closed since long, charged assets not available/traceable, settlement under aegis of BIFR/CDR, workers' issues/dues and settlement amount being discounted to arrive at the NPV in order to avoid delayed realization after 5-6 years.

SASF has informed that there are no specific guidelines from RBI regarding obtaining details of the assets of the guarantors offering personal guarantee as security for a loan. It was only in the year 2000 that as a matter of prudent practice, IDBI, vide Circular No. 7 dated 10.5.2000, put in place the system of obtaining particulars of assets owned by the guarantors at the time of execution of the Deed of Guarantee. The Deed of Guarantee also incorporated suitable covenants that the Guarantor shall not dispose of the assets without prior approval of IDBI and also undertakes to inform IDBI regarding acquisition of new assets acquired by him.

SASF has further informed that it has been subsequently collecting the net worth statements, income tax returns and bank account statements whenever settlement with the borrower/guarantor is being discussed and the same is factored in while arriving at the settlement amount.

(Reply to Para 1 of the Recommendation)

SASF has informed that the term “Resolved cases” includes (a) cases wherein settlement has been arrived but recovery is pending, (b) assets have been sold by DRT/OL/Other lenders but distribution of sale proceeds is pending. Hence, in such cases there is potential for further recovery and same is being pursued by SASF.

In respect of Malvika Steel Ltd., the assets were sold through public auction under SARFAESI by IFCI (the lead) for Rs.209 crore and IFCI distributed partial sale proceeds of Rs.143 crore, in which SASF’s pro-rata share amounted to Rs.41.78 crore. However, IFCI instead of releasing the entire share, released only Rs.29.11 crore to SASF. Subsequently, on follow-up, further amount of Rs.25.61 crore has been received towards SASF’s share in sale of assets of the said company, resulting in aggregate recovery of Rs. 54.75 crore (including interest for delayed receipt). SASF is still following up with IFCI for release of its pro-rata share in balance sale proceeds.

In respect of Ushalspat Ltd., the amount of Rs. 48.07 crore is only partial recovery made by sale of assets through SARFAESI. Subsequently, an amount of Rs.16.14 crore has been recovered as SASF’s pro-rata share in balance sale proceeds. An amount of Rs.64.21 crore has been recovered till date.

SASF has further informed that it is pursuing for further recovery in both the cases and has appointed detective agency for ascertaining details of properties of guarantors and as per preliminary report, few assets of the guarantors have been identified. SASF is pursuing with concerned authorities for verifying the ownership of the identified assets, for attachment and enforcing the same through DRT.

(Reply to Para 2 of the Recommendation)

SASF has apprised that out of 39 cases, action has been initiated in 9 cases under SARFAESI (including 3 cases where sale notices have been issued), 7 cases have been referred / are being referred to NCLT, settlement has been reached and payments are being received in 7 cases, 10 cases are filed before DRT (wherein Recovery Certificate received in 4 cases) and recovery has been hampered in 5 cases due to attachment of assets under/by EOW, MPID Act, Central Excise, PML Act and injunction/investigation against the company, disputes regarding the mortgaged property. The action could not be initiated/pursued in remaining 1 case due to abatement of the matter in BIFR as the mortgaged property lies in the tribal area.

Recovery in these 39 unresolved cases between April 2013 and March 2017 stood at Rs.231.10 crore.

SASF has apprised that as per the RBI directions, settlement of are governed by bank-specific internal policy guidelines duly approved by the Board. Accordingly, settlement of dues in SASF is guided by Board-approved Recovery Policy. The Recovery Policy of SASF does not have any specific stipulation that settlements may not be done below

NLO. Settlements are negotiated based on SASF's pro-rata share in value of assets, priority of statutory liabilities and workers' dues, time value of money, and 'realisability'.

SASF has further apprised that keeping in view that cases are already NPA, having no cash flows, any recovery from these accounts is limited to the realisation from the liquidation of secured assets and identified/attachable assets of the personal guarantors. With the passage of time, a majority of the units have closed down/partially working leading to deterioration in the value of secured assets and hence adversely affecting recoverability.

As far as connivance of staff is observed, SASF has apprised that stern action is initiated by IDBI internally as also by external agencies such as CVC, CBI as per established systems and policies. Ministry of Finance has asked SASF to take appropriate action in the matter, as per established system and policies, while taking due note of the observations of the Public Accounts Committee in this connection.

(Reply to Para 3 & 4 of the Recommendation)

A Monitoring Cell for monitoring recovery of dues against assets transferred to SASF has been set up as recommended.

(Reply to Para 5 of the Recommendation)

### **Vetting Comments of the Audit**

Factual statement. Hence, no further comments.

No further recovery has been made in these 21 cases is pending and further progress in this regard may please be intimated to PAC.

It is seen that SASF has been able to realise an amount of Rs. 12.47 crore in three cases through sale of shares, allotted to SASF under settlement, having acquisition cost of Rs.5.83 crore. Accordingly, SASF has made further recovery of Rs.6.64 crore (i.e. the amount recovered over & above the acquisition cost of shares) during the period 1 April 2013 to 31 March 2018.

The recovery of above mentioned 21 cases is pending and para may be retained and further progress intimated.

The facts remains that personal guarantees were enforceable instruments to safeguard financial interests of lenders/ Financial Institution.

*(Vetting comments to Ministry's reply at Para 1 of the Recommendation)*

In respect of M/s Malvika Steel Limited, an amount of Rs.25.61 crore as on 31.3.2018, has been effected and further recovery with IFCI for release of SASF's pro-rata share in balance sale proceeds is being followed-up with IFCI.

The recovery from M/s Malvika Steel Limited case, SASF share from IFCI is pending. Progress in this regard may be intimated to PAC.

In respect of Usha Ispat Ltd., the amount of Rs.48.17 crore is recovered towards partial recovery against the sale of assets through SARFAESI. Further an amount of Rs. 15.50 crore towards balance sale proceeds was received. Thus the total amount of Rs. 63.67 crore has been recovered till date.

However, full recovery from M/s Usha Ispat Ltd. case is still pending. Progress in this regard may be intimated to PAC.

The ownership of the identified assets is in process. Progress in this regard may be intimated to PAC.

*(Vetting comments to Ministry's reply at Para 2 of the Recommendation)*

Factual statement. Hence, no further comments.

Subsequent to audit, settlement was arrived in 6 cases which was above NLO.

Further recovery of Rs.11.36 crore has been made during April 2017 to March 2018 in 5 cases out of these 39 unresolved cases at present. Thus there are 34 unresolved cases at present.

The management stated (in May 2018) that the categorisation "unresolved cases" indicate the potential for recovery. However, the specific reply on the official responsible, if any, for the short recovery pertaining to 39 unresolved cases has not been furnished by SASF. The same may be intimated for better appreciation of PAC.

Recovery of above mentioned 34 cases is pending. Action on the same may be intimated to PAC.

*(Vetting comments to Ministry's reply at Para 3 & 4 of the Recommendation)*

The reply is silent regarding formation of an oversight committee by the ministry to directly oversee the progress made in the recoveries. The same may be intimated now for better appreciation of the PAC.

Further progress made by SASF may be intimated to PAC.

*(Vetting comments to Ministry's reply at Para 5 of the Recommendation)*

### **Observation/Recommendation**

The Committee noted that that SASF is managed by a Board of Trustees (BOT) appointed by the Central Government. The Board consist of one Chairperson, one Executive Trustee and three Members. Since 1 January 2013, the posts of Chairperson and Executive Trustee were merged. The Board of Trustees was also assisted by one Chief General Manager, one General Manager and 22 officials. It was seen that from the inception of the Trust till December 2012, the posts of Chairman and Executive Trustee of the Trust were held by Chairman and Managing Director and Executive Trustee respectively of IDBI Bank Limited. Besides, Deputy Managing Director of IDBI Bank Limited was the Alternate Chairman and Trustee of the Board of Directors from June 2011 and December 2012. It was, thus, evident that for all purposes, the Board of Trustees of SASF, in one way or the other, was related to IDBI which reflected a “revolving door” policy. The Committee was also surprised to observe that a partner of the Chartered Accountants firm, who certified the stressed assets and loan documents of IDBI before transfer to the Trust, was also the Trustee of Board of Trustees of SASF from October 2004 to June 2011.

The Committee noted from the reply of the Ministry that the BOT entrusted with general management of affairs and business had 3 eminent professionals and 2 representatives of IDBI. According to the Ministry, since IDBI had long experience in both rehabilitation and recovery and the stressed assets transferred to SASF were earlier dealt with by IDBI, it was felt that continuity of management is essential for recovery of such stressed assets having long experience in both rehabilitation and recovery. The Ministry in their further submission stated that initially it was thought that the full amount may be realized if separate organization looks after recoveries as IDBI Bank management would be busy in running of the Bank. However, post C&AG Audit, a considered view has been taken by the Ministry that as losses are to be borne by IDBI Bank, they may look after SASF.

The Committee were of the considered view that the IDBI had an overriding presence in management of SASF and that a neutral and professionally managed SASF would had been able to achieve better results. Further, the powers delegated to the Committee of Officers (COO), Executive Committee (EC), Board of Trustees (BOT) and Screening Committee (SC) may be thoroughly revamped by the Ministry keeping in mind that the cases left with recovery are more complex and tricky and need to be dealt with more focused attention. Also, before appointing a partner of the Chartered Accountants Firm which verified and certified the stressed assets, as Trustee of SASF, the Ministry may look into the issue of conflict of interest, any financial consequences considering their earlier involvement with IDBI, complicity in its appointment and take appropriate disciplinary action against the responsible officials of the Ministry/IDBI.

The Committee further noted that the Trust did not make any realistic and scientific assessment of requirement of manpower for its functions. The number of officials deployed was 50 in 2005 and came down to 24 in 2013. The Trust made

proposals during different periods for additional manpower on ad-hoc basis, though there was no written proposal. During 2005 to 2013, 121 officials of the parent body, IDBI, were deputed at some point of time or other to serve the Trust. 62 out of 121 employees worked in less than two years with SASF. Similarly, out of 62 officials, 25 worked for less than one year. Interestingly, only 16 out of 121 officials possessed recovery experience and four officials who have been deputed by IDBI were facing disciplinary proceedings.

The Ministry submitted that the SASF had scientifically assessed the staff requirement at SASF taking into account the number of cases handled at various levels i.e., resolved, unresolved and chronic NPA cases. The response of the Ministry was seen in the light of frequent proposals for manpower requirement indicating that the assessment was inadequate and unscientific and there were no written proposals prior to July 2012 indicating that the proposals made by SASF were on ad-hoc basis.

The Committee further deplored the appointment of staff who were inexperienced and untrained in corporate banking and recovery of stressed assets. The Committee also noted that the interviews for deputation in SASF were conducted by the IDBI and not by the SASF. The response of the Ministry that the responsibility of providing staff to SASF was given to IDBI Bank and it was not specified in the arrangement that SASF would interview the candidates. Further, the officers were directly posted in SASF by the Bank after seeing requisite qualification and experience required by an officer for deputing to SASF. The Committee were of the firm view that the staff with SASF were not scientifically placed as frequent staff proposals were made. The Committee were of the view that an independent team trained in realization of NPAs would have been a better choice for taking care of the interests of the Government. The Committee felt that the non-realisation of balance NPAs may be seen as non-performance of SASF owing to the temporary organizational set-up and inadequate manpower deployment at the SASF. The Committee opined that the recoveries are majorly dependant on the efficiency of the officials deployed for recoveries and therefore incentives should be given for good performances. The Committee desired that the existing manpower deployment may be reviewed in a scientific manner and staff with dynamic experience and expertise in recovery of unresolved and chronic NPAs be placed/engaged at the disposal of SASF for optimum recovery of balance NPAs.

**[Observation/Recommendation No. 9 of the 78<sup>th</sup> Report of Public Accounts Committee (16<sup>th</sup> Lok Sabha)]**

**Action taken by the Ministry**

SASF has apprised that the Chairperson/ alternate Chairperson /Executive Trustee were the CMD/DMD/ED of the Bank who was very senior functionaries of IDBI with long

experience in banking and handling of rehabilitation and recovery of stressed assets. Their understanding of the industry, asset portfolio and the specific cases had helped the SASF in resolution of the cases. Apart from the two IDBI officials on the Board of Trustees of SASF, there were, initially three and subsequently two, independent professionals appointed by DFS, GoI.

SASF has further apprised that M/s Haribhakti & Co., the CA firm had only carried out a limited due diligence for the purpose of verifying and certifying the correctness of information, set out in the data profiles, prepared by IDBI with regards to the assets identified for transfer to SASF. Ministry of Finance has advised SASF to ensure strict separation of functions in future while engaging Chartered Accountants for accountancy or audit purposes, and to avoid any potential conflict of interest in assigning work to Chartered Accountants by ensuring due disclosures and proper scrutiny of past engagement.

*(Reply to Para 1 of the Recommendation)*

Observations are factual.

*(Reply to Para 2 of the Recommendation)*

SASF has apprised that a draft paper for revision/modification of Delegation of Powers as also Recovery Policy, to be in line with market practices and current situation has already been finalised. The same shall be placed before the Board of Trustees for their consideration.

*(Reply to Para 3 of the Recommendation)*

SASF has informed that a manpower assessment had been undertaken from time to time and requested IDBI Bank Ltd. to depute the required manpower with requisite skills/background. SASF is presently dealing with 277 cases, which are being handled by a team of 4 DGMs assisted by 18 officers, including legal and accounts. The officers deputed by IDBI Bank over the years had work experience of corporate finance which is useful for dealing with NPA cases as also in negotiating settlements with the defaulting borrowers and/or dealing with other lenders. The existing manpower is adequate to handle the present portfolio of SASF. However, considering legal issues and complexity of the remaining cases as also in order to strengthen the team, it has specifically sought for posting of additional experienced legal officers.

SASF has apprised that subsequent to modification of Deputation Policy of IDBI Bank, the Selection Committee constituted for selection of officers for deputation to SASF on two instances, was comprised of Executive Trustee/CGM of SASF as one of the panel members.

*(Reply to Para 4, 5 & 6 of the Recommendation)*

### **Vetting Comments of the Audit**

It is verified that two independent professionals, retired from banking sector, are the trustees of SASF. However, the chairman and other two trustees are from the IDBI Bank. As such, the concern endorsed by PAC has not been addressed. The reason for this may please be intimated to PAC.

*(Vetting comments to Ministry's reply at Para 1 of the Recommendation)*

Factual statement. Hence, no further comments.

*(Vetting comments to Ministry's reply at Para 2 of the Recommendation)*

The reply on the draft paper for revision/modification of Delegation of Powers as also recovery policy, to be in line with market practices and current situation has already been finalised in not factual as SASF's revised/modifying, DoP and Recovery Policy is yet not finalised.

The modification in DoP and Recovery Policy is in the process and yet have not completed. Progress in this regard may be intimated to PAC.

Factual statement. Hence, no further comments.

*(Vetting comments to Ministry's reply at Para 3 of the Recommendation)*

The manpower strength of SASF is at 21 officers as on 25.5.2018. SASF is also following up with IDBI Bank for posting of additional officers.

As manpower is declining, additional experienced officers need to be posted. Progress in this regard may be intimated to PAC.

Officers to SASF are being posted by HRD, IDBI in consultation of CGM and Executive Trustee, SASF.

*(Vetting comments to Ministry's reply at Para 4,5 & 6 of the Recommendation)*

**NEW DELHI;**  
**18 December, 2018**  
**27 Agravahana, 1940 (Saka)**

**MALLIKARJUN KHARGE**  
**CHAIRPERSON**  
**PUBLIC ACCOUNTS COMMITTEE**

**APPENDIX-II**  
(*Vide Paragraph 5 of Introduction*)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR SEVENTY-EIGHTH REPORT (SIXTEENTH LOK SABHA)**

(i) Total number of Observations/Recommendations	- 10
(ii) Observations/Recommendations of the Committee which have been accepted by the Government:	- Total : 04 Percentage: 40%
<p style="text-align: center;"><b><u>Para Nos. 1,2,4 &amp; 6</u></b></p>	
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:	- Total : Nil Percentage:0%
<p style="text-align: center;">-Nil-</p>	
(iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:	- Total : 03 Percentage:30%
<p style="text-align: center;"><b>Para Nos. 3,5 &amp; 10</b></p>	
(v) Observations/Recommendations in respect of which the Government have furnished interim replies/no replies:	- Total : 03 Percentage: 30%
<p style="text-align: center;"><b><u>Para Nos. 7,8 &amp; 9</u></b></p>	