

## Banks' Application of the Npa Resolution Strategies



### Management

**KEYWORDS :** ARCs, NPAs, RBI, SARFAESI Act, Strategic Debt Restructuring

**Mr. Murali S**

M.com, MBA, M.Phil. Research Scholar, Research & Development Department, Bharathiar University - Coimbatore

**Dr B G Satya Prasad**

M.com, MBA, Ph.D. Director of GT Institute of Management & Research, Bangalore

### ABSTRACT

*Any number of strategies have been tried to bring down the distressed assets including the non-performing assets (NPAs) of the banks. The RBI has made it clear that it wants all the banks to clean up their balance sheets by March 2017. It is in this backdrop that the buzzword in banking circles, namely, strategic debt restructuring (SDR) has to be viewed. The other strategies tried by banks earlier on, like the constitution of Asset Reconstruction Companies (ARCs) and enactment of legislations like SARFAESI Act did not prove successful. The defaulters always managed to wriggle out, taking advantage of the loopholes in the mechanism and the legislation. However, with India's very own power, infrastructure, real estate, steel, cement and IT sectors faring no better and made worse by a slowing global economy, the country's banking system has to act before it is too late. After all banks have funded several projects from the said sectors and the failure of these projects will have serious implications for them. In the circumstances it is necessary to ensure that the SDR programme does not meet the same fate that the other programmes met in the past. Hence the researcher set out to investigate the usefulness of the SDR programme to the financing banks and to identify the precautions the banks should take to optimise the outcome of the SDR programme. The researcher concludes that the banks should be confident of finding a buyer for the assets of the company they intend to acquire under the SDR programme. They should be confident of finding the right management team too to turn the company around. Otherwise, they should not invoke the SDR programme. They have only 18 months to sell their stake to new promoters*

#### 1.1 Theoretical background of the topic

The strategic debt restructuring (SDR) programme, introduced by the Reserve Bank of India (RBI), permits bankers to take control of a defaulting company when other restructuring strategies have not borne fruit. The bank concerned can acquire at least a 51 percent stake in the said company. It can bring in a new management team too, to revive the company. However, the acquiring bank has to sell its stake to new promoters within a period of 18 months from the reference date. Reference date refers to the date on which the decision to undertake SDR is taken. The intention behind the Reserve Bank of India (RBI) decision to permit SDR is to help the banks clean up their balance sheets. RBI issued the SDR norms in June 2015. The mechanisms and laws put in place earlier on to control the growth of NPAs like Asset Reconstruction Companies (ARCs), SARFAESI Act and Joint Lenders Forum (JLF) did not work out the way the RBI and banks had hoped. In the circumstances, the impact of the newly-introduced SDR on the proliferation of NPAs is being watched keenly by the banks, the RBI and other stakeholders. It is premature to state whether the SDR programme will meet the same fate as the other mechanisms / laws introduced earlier or will prove refreshingly different. It is worth noting here that the gross NPA ratio of the banking system was about 5.1 percent of gross advances as of 30 September 2015, according to the December, 2015 edition of RBI's *Financial Stability Review*. The ratio of stressed advances (including restructured loans and gross bad loans) to total advances rose to 11.3 percent as of September 2015 from 11.1 percent in March, 2015. The ratio of stressed assets of public sector banks was 14.1 percent as of September, 2015.

#### 1.2 Statement of the problem

As is the case with any legal mechanism, the SDR mechanism too can be misused or abused by the stakeholders, mainly the borrowers and the banks that financed the borrowers. While banks can misuse the mechanism to present healthier financials, borrowers can misuse or even abuse the mechanism to wangle benefits that they do not deserve in the first place. Thus a few factors that could undermine the success of the SDR programme have come to the surface. An examination of these factors has left the banks wondering if they acted rather impulsively in invoking the SDR provisions. If indeed they did, they should identify the precautions they should take before invoking the SDR provisions in future. The present study proposes to tackle this problem.

#### 1.3 Review of literature

State Bank of India (SBI) will be more careful while invoking SDR provisions in future, states Vishwanath Nair (Vishwanath, 2016). Rising instances of acquisition of controlling stakes in the defaulting companies under the SDR scheme have left the banks in general wondering whether they will be in a position to dispose of the assets of the defaulting companies within the 18 months permitted by the SDR mechanism. The SBI management has allegedly instructed its officers to invoke the SDR provisions only in cases where the likelihood of the disposal of the defaulting companies' assets is high.

According to Latha Venkatesh, the information furnished by all the rating agencies and brokerages indicates that the sum of stressed loans (where borrowers have not been paying or cannot pay or will not pay interest on time) is probably 15 percent of total assets (Latha, 2016). However, according to banks, as of September 2015, only 5.1 percent of their assets were gross non-performing assets. Banks furnish details of all their accounts to the RBI, identifying the accounts by their PAN. RBI, upon identification, penalizes banks that do not report accounts falling back on repayments. Further, during its latest annual inspection of banks, the RBI took up account-wise inspection of asset quality across the banking system instead of the usual bank-wise inspection of asset quality. Armed with this information RBI has instructed banks to label all stressed accounts as non-performing Assets (NPAs). Thus companies which have defaulted with one bank but not another, promoters who are yet to bring in their share of equity in restructured cases, promoters who have brought their share of the equity by raising a loan from other entities or to put in simple words, all accounts where the monetary value of the asset is inadequate to service the loan, have been brought within the ambit of the definition of NPA.

#### 1.4 Research gap

The reviewed literature has not isolated the major factors that could undermine the success of the SDR programme. Nor has the reviewed literature explained how banks could play safe by taking adequate precautions before invoking the SDR programme at least in future. It is this gap that the present study seeks to bridge.

#### 1.5 Scope of the present study

The study covers the NPAs of commercial banks, irrespective of

the nature of their ownership.

**1.6 Objectives of the study**

The objectives of the study are to:

Ascertain the factors that could undermine the success of the SDR programme

Suggest the precautions that banks could take before invoking the SDR provisions

**1.7 Hypothesis proposed to be tested**

The study proposes to test the following hypothesis:

“Banks’ decision to invoke SDR provisions is dependent on the their ability to find buyers for the NPAs”

**1.8 Research design**

**1.8.1 Research methodology**

This is a descriptive study, involving investigations and adequate interpretation. Since it is a fact-finding study, data was collected through personal interviews with the sample respondents. Information so collected from the respondents was documented with the help of structured interview schedules drafted for the purpose.

**1.8.2 Sources of data**

Data required for the study was collected from primary as well as secondary sources. Primary data was collected from the respondents, viz, bankers, consultants and industrialists. Secondary data was downloaded from the web sites of reputed financial dailies and the RBI.

**1.8.3 Sampling plan**

Bankers, consultants and industrialists represent the sampling universe.

*Bankers:* Given the rather limited number of bankers with exposure to corporate debt restructuring in the vicinity where the researcher lives, purposive or judgement sampling under the non-probability method was deployed. Applying the exposure to corporate debt restructuring as the criterion, the researcher selected 30 such bankers. This criterion, according to the Researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

*Consultants:* Given the rather limited number of banking consultants specialising in corporate debt restructuring and operating in the vicinity where the researcher lives, purposive or judgement sampling under the non-probability method was deployed. Applying the exposure to corporate debt restructuring as the criterion, the researcher selected 50 such consultants. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

*Industrialists:* Given the rather limited number of industrialists with exposure to corporate debt restructuring operating in the vicinity where the researcher lives, purposive or judgement sampling under the non-probability method was deployed. Applying their exposure to corporate debt restructuring as the criterion, the Researcher selected 50 such industrialists. This criterion, according to the Researcher, is the most appropriate one for the

present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

**1.8.4 Data collection instruments**

Structured interview schedules were drafted and administered to the respondents for collection of primary data.

The interview schedules featured open questions and closed questions. Open questions were incorporated to identify opinions, ascertain the level of exposure to the topic and seek suggestions.

**1.8.5 Data processing and analysis plan**

Non-parametric statistical units were used to test the association between qualitative characters. Conclusions were arrived at on the basis of formation of  $H_0$  and  $H_1$ . To be specific, chi-square test was applied to test the association.

**1.8.6 Limitations of the study**

Primary data has at times been inferred through frequent topic-oriented discussions with the respondents. This may have influenced the findings of the study. The Researcher is however convinced that such influence is too insignificant to affect the accuracy of the findings of the study.

**1.9 Data Analysis – Bankers**

**1.9.1 Factors that could undermine the success of the SDR programme**

The strategic debt restructuring (SDR) programme permits bankers to take control of a company where debt restructuring has not borne fruit. The bank can acquire at least a 51 per cent stake in the said company. It can bring in a new management team too, to revive the company. However, the acquiring bank has to sell its stake to new promoters within a period of 18 months from the reference date. Reference date refers to the date on which the decision to undertake SDR is taken. Hence the researcher requested the respondents to disclose the factors that could, according to them, undermine the success of the SDR programme. Their replies to the query appear in the following Table.

**Table-1**  
**Factors that could undermine the success of the SDR programme**

Factors	Frequency
Disclosure requirements vis-a-vis SDR are inadequate	26
Banks may not be able to sell the distressed assets within 18 months	24
Bankers lack the expertise to run the companies they take over under the SDR regime	22
Most companies under the SDR regime exited the CDR cell unsuccessfully and had almost become NPAs	20
Most companies are managed by the promoter’s family members	19

Inadequate disclosure requirements vis-a-vis SDR are cited by 26 respondents as a factor. 24 respondents cite that banks may not be able to sell the distressed assets within 18 months. 22 respondents cite that bankers lack the expertise to run the companies they take over under the SDR regime. 20 respondents cite that most companies under the SDR regime exited the CDR cell unsuccessfully and had almost become NPAs. 19 respondents cite that most companies are managed by the promoter’s family members.

**1.9.2 Precautions banks should take before invoking the SDR**

Received wisdom has it that banks should “look before they leap”. They should think carefully before invoking the SDR provisions. The implication is that banks do not do so and regret their decision later. Hence the researcher sought to know from the respondents what precautions should banks take before invoking the SDR provisions. Their replies to the query appear in the following Table.

**Table-2**  
**Precautions banks should take before invoking the SDR**

Precautions	Number of respondents
Banks should force the cash-rich promoters to bring in more capital	28
Other things being equal, banks should invoke SDR in respect of large borrowers in the first place	26
Unless they are confident of finding the right management team, bankers should not invoke SDR	23
Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate	22
Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR	19

By way of precaution, banks should force the cash-rich promoters to bring in more capital, aver 28 respondents. Other things being equal, banks should invoke SDR in respect of large borrowers in the first place, according to 26 respondents. Unless they are confident of finding the right management team, bankers should not invoke SDR, according to 23 respondents. Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate, according to 22 respondents. Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR, according to 19 respondents.

**1.10 Data Analysis – Consultants**

**1.10.1 Factors that could undermine the success of the SDR programme**

The strategic debt restructuring (SDR) programme permits bankers to take control of a company where debt restructuring has not borne fruit. The bank can acquire at least a 51 per cent stake in the said company. It can bring in a new management team too, to revive the company. However, the acquiring bank has to sell its stake to new promoters within a period of 18 months from the reference date. Reference date refers to the date on which the decision to undertake SDR is taken. Hence the researcher requested the respondents to disclose the factors that could, according to them, undermine the success of the SDR programme. Their replies to the query appear in the following Table.

**Table-3**  
**Factors that could undermine the success of the SDR programme**

Factors	Frequency
Banks may misuse the scheme to defer higher provisioning by 18 months	49
Bankers lack the expertise to run the companies they take over under the SDR regime	47
Banks may not be able to sell the distressed assets within 18 months	44
Most companies under the SDR regime had exited the CDR cell unsuccessfully and had almost become NPAs	43
Most companies are managed by the promoter’s family members	42
Disclosure requirements vis-a-vis SDR are inadequate	41

Banks may misuse the scheme to defer higher provisioning by 18 months and this is cited as a factor by 49 respondents. 47 respondents cite that bankers lack the expertise to run the companies they take over under the SDR regime. 44 respondents cite that banks may not be able to sell the distressed assets within 18 months. 43 respondents cite that most companies under the SDR regime had exited the CDR cell unsuccessfully and had almost become NPAs. 42 respondents cite that most companies are managed by the promoters’ family members. Inadequate disclosure requirements vis-a-vis SDR are cited by 41 respondents as a factor.

**1.10.2 Precautions banks should take before invoking the SDR**

Received wisdom has it that banks should “look before they leap”. They should think carefully before invoking the SDR provisions. The implication is that banks do not do so and regret their decision later. Hence the researcher sought to know from the respondents what precautions should banks take before invoking the SDR provisions. Their replies to the query appear in the following Table.

**Table-4**  
**Precautions banks should take before invoking the SDR**

Precautions	Number of respondents
Banks should force the cash-rich promoters to bring in more capital	49
Other things being equal, banks should invoke SDR in respect of large borrowers in the first place	49
Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate	49
Unless they are confident of finding the right management team, bankers should not invoke SDR	45
Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR	44
Banks should ensure that they have outsourcing skills to run the companies they take over under SDR	43

By way of precaution, banks should force the cash-rich promoters to bring in more capital, aver 49 respondents. Other things being equal, banks should invoke SDR in respect of large borrowers in the first place, according to 49 respondents. Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate, according to 49 respondents. Unless they are confident of finding the right management team, bankers should not invoke SDR, according to 45 respondents. Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR, according to 44 respondents. Banks should ensure that they have outsourcing skills to run the companies they take over under SDR, according to 43 respondents.

**1.11 Data Analysis – Industrialists**

**1.11.1 Factors that could undermine the success of the SDR programme**

The strategic debt restructuring (SDR) programme permits bankers to take control of a company where debt restructuring has not borne fruit. The bank can acquire at least a 51 per cent stake in the said company. It can bring in a new management team too, to revive the company. However, the acquiring bank has to sell its stake to new promoters within a period of 18 months from the reference date. Reference date refers to the date on which the decision to undertake SDR is taken. Hence the researcher requested the respondents to disclose the factors that could, according to them, undermine the success of the SDR programme. Their replies to the query appear in the following Table.

**Table-5**  
**Factors that could undermine the success of the SDR programme**

Factors	Frequency
Banks may not be able to sell the distressed assets within 18 months	46
Bankers lack the expertise to run the companies they take over under the SDR regime	45
Most companies are managed by the promoter's family members	35
Most companies under the SDR regime had exited the CDR cell unsuccessfully and had almost become NPAs	29
Banks may misuse the scheme to defer higher provisioning by 18 months	23
Disclosure requirements vis-a-vis SDR are inadequate	22

46 respondents cite that banks may not be able to sell the distressed assets within 18 months. 45 respondents cite that bankers lack the expertise to run the companies they take over under the SDR regime. 35 respondents cite that most companies are managed by the promoters' family members. 29 respondents cite that most companies under the SDR regime had exited the CDR cell unsuccessfully and had almost become NPAs. Banks may misuse the scheme to defer higher provisioning by 18 months and this is cited as a factor by 23 respondents. Inadequate disclosure requirements vis-a-vis SDR are cited by 22 respondents as a factor.

**1.11.2 Precautions banks should take before invoking the SDR**

Received wisdom has it that banks should "look before they leap". They should think carefully before invoking the SDR provisions. The implication is that banks do not do so and regret their decision later. Hence the researcher sought to know from the respondents what precautions should banks take before invoking the SDR provisions. Their replies to the query appear in the following Table.

**Table-6**  
**Precautions banks should take before invoking the SDR**

Precautions	Number of respondents
Bankers should first ensure that there is a central mechanism in place to help with asset sales	49
Banks should ensure that they have outsourcing skills to run the companies they take over under SDR	49
Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR	47
Unless they are confident of finding the right management team, bankers should not invoke SDR	46
Other things being equal, banks should invoke SDR in respect of large borrowers in the first place	41
Banks should force the cash-rich promoters to bring in more capital	39
Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate	38

Bankers should first ensure that there is a central mechanism in place to help with asset sales, according to 49 respondents. Banks should ensure that they have outsourcing skills to run the companies they take over under SDR, according to 49 respondents. Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR, according to 47 respondents. Unless they are confident of finding the right management team, bankers should not invoke SDR, according to 46 respondents. Other things being equal, banks should invoke SDR in respect of large borrowers in the first place, according to 41 respondents. By way of precaution, banks should force the cash-rich promot-

ers to bring in more capital, aver 39 respondents. Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate, according to 38 respondents.

**1.12 Summary of findings**

In the following paragraphs, a summarised version of the findings arrived at in respect of the three categories of respondents, namely bankers, consultants and industrialist, is furnished.

**1.12.1 Bankers**

Inadequate disclosure requirements vis-a-vis SDR are cited by 26 respondents as a factor. 24 respondents cite that banks may not be able to sell the distressed assets within 18 months. 22 respondents cite that bankers lack the expertise to run the companies they take over under the SDR regime. 20 respondents cite that most companies under the SDR regime exited the CDR cell unsuccessfully and had almost become NPAs. 19 respondents cite that most companies are managed by the promoter's family members.

By way of precaution, banks should force the cash-rich promoters to bring in more capital, aver 28 respondents. Other things being equal, banks should invoke SDR in respect of large borrowers in the first place, according to 26 respondents. Unless they are confident of finding the right management team, bankers should not invoke SDR, according to 23 respondents. Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate, according to 22 respondents. Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR, according to 19 respondents.

**1.12.2 Consultants**

Banks may misuse the scheme to defer higher provisioning by 18 months and this is cited as a factor by 49 respondents. 47 respondents cite that bankers lack the expertise to run the companies they take over under the SDR regime. 44 respondents cite that banks may not be able to sell the distressed assets within 18 months. 43 respondents cite that most companies under the SDR regime had exited the CDR cell unsuccessfully and had almost become NPAs. 42 respondents cite that most companies are managed by the promoters' family members. Inadequate disclosure requirements vis-a-vis SDR are cited by 41 respondents as a factor.

By way of precaution, banks should force the cash-rich promoters to bring in more capital, aver 49 respondents. Other things being equal, banks should invoke SDR in respect of large borrowers in the first place, according to 49 respondents. Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate, according to 49 respondents. Unless they are confident of finding the right management team, bankers should not invoke SDR, according to 45 respondents. Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR, according to 44 respondents. Banks should ensure that they have outsourcing skills to run the companies they take over under SDR, according to 43 respondents.

**1.12.3 Industrialists**

46 respondents cite that banks may not be able to sell the distressed assets within 18 months. 45 respondents cite that bankers lack the expertise to run the companies they take over under the SDR regime. 35 respondents cite that most companies are managed by the promoters' family members. 29 respondents cite that most companies under the SDR regime had exited the CDR cell unsuccessfully and had almost become NPAs. Banks may misuse the scheme to defer higher provisioning by 18 months and this is cited as a factor by 23 respondents. Inadequate disclosure requirements vis-a-vis SDR are cited by 22 respondents as a factor.

Bankers should first ensure that there is a central mechanism in place to help with asset sales, according to 49 respondents. Banks should ensure that they have outsourcing skills to run the companies they take over under SDR, according to 49 respondents. Unless they are confident of finding buyers for the NPAs, bankers should not invoke SDR, according to 47 respondents. Unless they are confident of finding the right management team, bankers should not invoke SDR, according to 46 respondents. Other things being equal, banks should invoke SDR in respect of large borrowers in the first place, according to 41 respondents. By way of precaution, banks should force the cash-rich promoters to bring in more capital, aver 39 respondents. Banks should not oblige defaulting companies under CDR and 5/25 schemes where SDR is more appropriate, according to 38 respondents.

**1.13 Conclusions**

Conclusions are inferences / generalisations drawn from the findings. They relate to the hypotheses. They are answers to the research questions or the statements of acceptance or rejection of hypotheses.

**Hypothesis**

As already explained, the study proposes to test the following hypothesis:

“Banks’ decision to invoke SDR provisions is dependent on their ability to find buyers for the NPAs.”

**Hence H<sub>0</sub> and H<sub>1</sub> are as follows:**

H<sub>0</sub>: Banks’ decision to invoke SDR provisions is not dependent on their ability to find buyers for the NPAs

H<sub>1</sub>: Banks’ decision to invoke SDR provisions is dependent on their ability to find buyers for the NPAs

On the basis of the primary data collected from the respondents, vide Tables: 2, 4 and 6, a chi-square test was applied to ascertain the association, if any, between the two variables. The following Table reveals the computation made using MS-Excel:

Category	Observed Values		
	Yes	No	Total
Bankers	19	11	30
Consultants	44	6	50
Industrialists	47	3	50
Total	110	20	130
Category	Expected Values		
	Yes	No	Total
Bankers	25.38462	4.615385	30
Consultants	42.30769	7.692308	50
industrialists	42.30769	7.692308	50
Total	110	20	130
o-e	Yes	No	
	-6.38462	6.384615	
	1.692308	-1.69231	
	4.692308	-4.69231	
(o-e)^2	40.76331	40.76331	
	2.863905	2.863905	
	22.01775	22.01775	
((o-e)^2)/e	1.605828	8.832051	
	0.067692	0.372308	
	0.52042	2.862308	
CV	2.193939	12.06667	14.26061
TV			5.991465
p			0.0008

The calculated value of  $\chi^2$  is 14.26061, higher than the table value of 5.991464547 for an alpha of 0.05 at two degrees of freedom. Hence the null hypothesis is rejected.  $p=0.0008$  is the inverse of the one-tailed probability of the chi-squared distribution. Hence banks’ decision to invoke SDR provisions is dependent on their ability to find buyers for the NPAs.

**1.14 Researcher’s recommendations**

**The following are the researcher’s recommendations:**

Banks should invoke the SDR provisions only upon satisfying themselves that they can find buyers for the distressed assets they propose to acquire. Otherwise, they will end up throwing good money after bad.

Banks should exhaust all the remedies available before invoking the SDR programme. The reasons are not far to seek: bankers do not have the expertise to run the companies they acquire under the SDR programme.

Banks should also remind themselves that most companies proposed to be taken over by them under the SDR regime exited the CDR cell unsuccessfully. In other words, for all practical purposes such accounts had become NPAs. Utmost caution should be exercised by banks before they decide to bring such accounts under the SDR programme, in the circumstances. Banks cannot afford to throw good money after bad.

Further, at least in the Indian context, it is likely that most companies under the SDR programme are managed by the promoters’ family members. Given that the company became an NPA account under their management, banks should promptly replace the management team by a professional and accountable management team which is capable of the turning the company around. Otherwise, no purpose will be served by bringing the company into the SDR fold. The corollary is that unless and until the banks are in a position to find a capable management team, they should not invoke the SDR programme.

Banks should arm-twist the promoters into bringing in more capital particularly when the promoters are liquid enough! Unfortunately banks ignore this aspect even when the promoters happen to have the capability to bring in more capital. For example, Essar Steel defaulted on its payments to foreign bond holders in 1999. In 2003, it defaulted on its loan to banks and hence its loan was restructured. It almost defaulted on the loan again in 2016 but inexplicably bankers bailed out the company by extending the 5/25 refinance facility to it. Bringing the company under the SDR programme and removing the promoters would have been the more appropriate remedy. Instead the banks refinanced Essar’s 20-year-old plant under the 5/25 scheme and the loan is to be repaid in 25 years. This defies all rationale since the plant will be 45 years old by the time the 5/25 facility falls due for full and final settlement! The promoters must have been highly liquid when they availed of the 5/25 facility. After all, they had sold their investment in Vodafone and had sold Essar Oil too, by then! All the same, the promoters wanted the banks to bring in more capital to address Essar Steel’s woes and the banks obliged!

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