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## 4. STRESSED ASSETS MANAGEMENT

1. The movement of NPAs in the Bank and recovery in Written-off accounts during the last Four Financial years are furnished below:

	(₹ crore)			
	FY2017*	FY2018	FY2019	FY 2020
Gross NPA	1,77,866	2,23,427	1,72,750	1,49,092
Gross NPA%	9.11%	10.91%	7.53%	6.15%
Net NPA%	5.19%	5.73%	3.01%	2.23%
Fresh Slippages + Increase in O/s	1,15,932	1,00,287	39,740	54,510
Cash Recoveries / Up-gradations	32,283	14,530	31,512	25,781
Write-Offs	27,757	40,196	58,905	52,387
Recoveries in AUCA	3,963	5,333	8,345	9,250
PCR	61.53%	66.17%	78.73%	83.62%

\*Post-Mergers

2. Over the last few years, there has been a significant rise in the Gross Non-Performing Assets (GNPA) in the Banking Industry. According to the Financial Stability Report of RBI for December 2019, in a sign of possible recovery from the impaired asset load, GNPA ratio of SCBs remained stable at 9.3% as on 30<sup>th</sup> September 2019 vis-a-vis 31<sup>st</sup> March 2019. It showed a substantial improvement over GNPA ratio of 10.8% in September 2018. Macro-stress tests for credit risk show that under the baseline scenario, SCBs' GNPA ratio may increase from 9.3 per cent in September 2019 to 9.9 per cent by September 2020 primarily due to change in macroeconomic scenario, marginal increase in slippages and

the denominator effect of declining credit growth.

3. A large spurt in NPA Level during FY2021 was anticipated under the backdrop of COVID19. To counter this, your Bank is taking several pre-emptive measures in extending assistance to its borrowers, so that they can face the current challenges and continue as performing assets. However, the level of NPA by the end of March 2020 significantly declined as a result of the continuous reduction of GNPA through FY2019 and FY2020 due to the following factors:

I. The Insolvency and Bankruptcy Code (IBC) 2016, for the resolution of Stressed assets, has provided your Bank with a time bound, transparent and effective mechanism to tackle stressed assets. The Bank has achieved resolution in some of high value NPA accounts referred to the NCLT under the Code. The cases referred to the NCLT are monitored by a specialised NCLT cell at SARG. A total of 821 cases were referred to the NCLT as on 31<sup>st</sup> March 2020, out of which 662 cases have been admitted. Your Bank has been able to resolve and recover an amount of ₹12,024 Crore in the account of a single big borrower through the NCLT process. Furthermore, 82 cases have been resolved, including some high-value accounts from RBI's 1<sup>st</sup> & 2<sup>nd</sup> reference lists.

II. RBI's 7<sup>th</sup> June 2019 circular on prudential framework for resolution of high-value distressed assets has provided a new avenue for time-bound resolution of these accounts (out of NCLT process). Your Bank is actively exploring resolution under this mode.

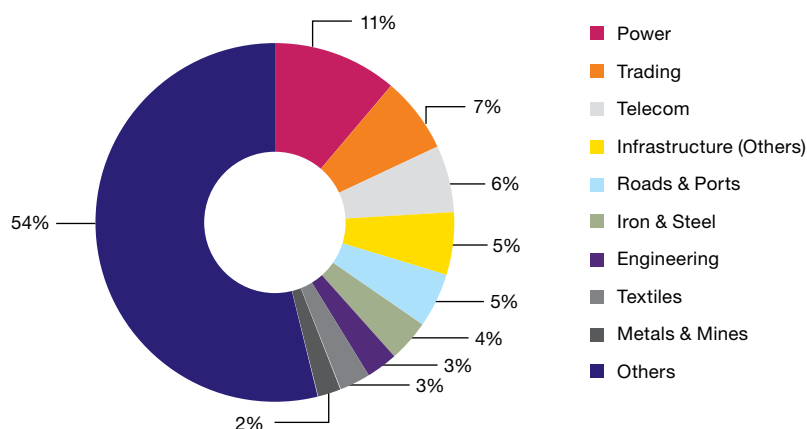
III. In non-NCLT cases, recovery is being actively explored through action under the SARFAESI Act and filing of suits in DRTs and Courts. The sale of mortgaged properties is being explored through the common e-Auction Platform <https://ibapi.in> ("e-भक्रय" - Indian Banks Auction Properties Information) under the aegis of the IBA. The OTS/Compromise route is also being explored for the recovery of sticky loans from eligible cases.

4. In line with Government of India Reforms Agenda for Responsive and Responsible PSBs, SAMG was revamped as Stressed Assets Resolution Group (SARG) for providing focus on resolution of NPAs with sector specific approach. At present, the vertical is headed by Managing Director, supported by Deputy Managing Director and three Chief General Managers

overseeing the sector-wise portfolio. The Account Management Teams functioning under the guidance of seven General Managers. As on March 2020, SARG has 19 Stressed Assets Management Branches (SAMBs) and 53 Stressed Assets Recovery Branches (SARBs) across the country, covering 61.26% and 86.03% of your Bank's NPAs and AUCA, respectively.

Industry wise distribution of the NPA portfolio (as on 31<sup>st</sup> March, 2020) is represented as under:

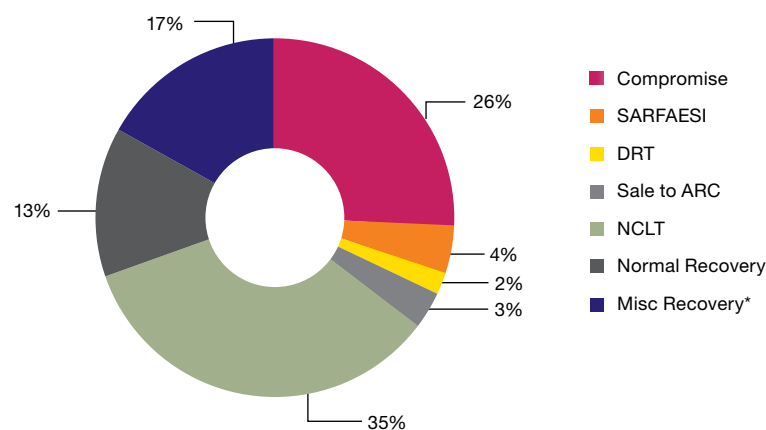
**NPAs - Whole Bank**



5. A significant portion of the recovery at SARG comes from Compromise and NCLT. The vertical also implements special OTS schemes (Non-discretionary and Non-discriminatory) from time to time.

A team has been set up to look after the sale of Assets to Asset Reconstruction Companies (ARCs) on Cash and/or Security Receipts (SR) basis.

**Mode of Recovery - Whole Bank - FY20**



6. A Special Situation Team of experts in credit monitoring and resolution has been constituted at SARG for the accounts of ₹ 500 crore and above in SMA2 and above categories. This helps in monitoring and putting in place resolution plan from the very beginning of default and to take proactive resolution measures at an early stage of default.
7. Today, SARG stands as one of the most important verticals of your Bank and the GNPA of your Bank is on course of a downward journey. Resolution of stressed assets by SARG presents the following latent income generating avenues for your Bank:
  - Cash recovery in NPAs and AUCA;
  - Reduction in loan loss provisions;
  - contribute to your Bank's bottom-line.
  - Unlocking the capital for credit extension.
8. SARG introduced certain innovative methods and gave first mover advantage to your Bank in areas such as arranging Mega e-Auction of large number of properties on Pan-India basis and identification of un-encumbered properties of the borrowers / guarantors and arranging for attachment of properties before

judgement. Various new IT initiatives are being introduced including LITMAS (Litigation Management System) for better monitoring of legal recourses undertaken in the stressed account for expediting recovery. A public interface for OTS/Compromise has been developed and rolled out on 28.02.2020 for creation of transparent and robust one-time settlement mechanism. It will further strengthen the transparency and efficiency in the process.




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