



Stressed Assets with Banks represent unique opportunity for Asset Reconstruction Companies and Private Equity Firms: Finance Minister

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The Union Finance Minister, Sh. Arun Jaitley today stated that the opportunities presented by the Insolvency and Bankruptcy Code (IBC) framework and Government's emphasis on resolution represent a unique opportunity for Asset Reconstruction Companies (ARCs) and Private Equity firms (PE). At a meeting today with leading ARCs and PE firms focussed on stressed assets, he said that accounts classified as impaired/stressed still had inherent value. These were essentially productive assets which if turned around would not only create additional jobs but also contribute to national output. For this to happen, timely interventions, transparent price discovery and right management were required.

Sh. Jaitley highlighted the legislative and regulatory changes made over the last 18 months which had created an enabling and supportive operational environment for ARCs and for takeover of stressed assets by PE firms/special situation funds. These, inter alia, include 100% ownership by sponsors, higher ceiling of 100% for FDI in ARCs, pass through status to ARC trusts for income tax, exemption from stamp duty, enabling trading of security receipts etc. He noted that a number of new ARCs have sought and obtained registration during recent months. The increasing number of players in the market was indicative of an increasing interest in the sector but also presented an opportunity for banks to offload stressed assets before fully provisioning for them. The ratio of cost of acquisition to book value of assets acquired by ARCs has been rising. Within this overall context, the ARCs and PE funds were well placed to step up their activity levels as all the building blocks were there.

During discussions, ARCs and PE firms were appreciative of the steps taken so far by the Government and RBI. The need for evolution of targeted case specific solution by ARCs/PE funds was brought out, as these entities have higher operational flexibility. Prospects for capital raising and deployment were highlighted. It was suggested that sale of project loan by a consortium instead of individual banks selling their loan account could be a much more effective way of ensuring debt aggregation in a timely manner. Suggestions were also made regarding increase in activity levels of ARCs and PE funds.

Taking note of the feedback, Shri Jaitley observed that Govt. and RBI had greatly facilitated the role of ARCs and Special Situation funds in effective resolution. Resultant collaboration between banks, ARCs, PE, Asset Management Companies and resolution professionals could pave the way to a virtuous cycle of fresh investments, new jobs and additional demand.

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