ARCs are gearing up to buy, resolve stressed retail loans

BIZ REDESIGN. Move comes amid falling corporate loan stress for future growth

K Ram Kumar
Mumbai

With stress in lenders' corporate loan book coming down, asset reconstruction companies (ARCs) are gearing up their operations towards acquiring and resolving stressed retail loans.

This move is in anticipation of the ripple effect that sour loans in the unsecured personal loan portfolio can have on the secured loan book.

Hari Hara Mishra, CEO, Association of ARCs in India (AARCI), said: "ARCs are looking forward to new opportunities in the retail segment, with 21 out of 27 ARCs already handling retail NPAs (non-performing assets).

"The business models of ARCs are undergoing a quiet makeover towards retail in terms of manpower, technology and alliances with service providers."

Crisil Intelligence, in its industry study for ARCIL's upcoming initial public offer, noted that lower corporate NPAs have propelled the downward trend in scheduled commercial banks' (SCBs') gross NPAs.

The GNPA levels of large borrowers (with aggregate exposure of ₹5 crore and above) in SCBs declined significantly from 14.3 per cent in FY19 to 3 per cent in FY24.

The study forecast that overall GNPA levels of SCBs are set to witness a calibrated rise in FY26.

The report underscored that stress in unsecured lending segment, comprising consumer loans, personal loans, and credit cards, has witnessed a rapid growth, with a CAGR (compounded annual growth rate) of 16.5 per cent, 26.9 per cent and 29.1 per cent, respectively, between FY20 and FY25.

VULNERABILITY RISES

This growth has been driven, in part, due to overleveraging by low-income borrowers, who took multiple unsecured loans, per the report. As a result, the segment's vulnerability to defaults and delinquencies has increased. The overall NPA in unsecured retail segment was about ₹1.5 lakh crore as of March 31, 2025. Stress in the retail segment has been increasing in the last few years mainly due to the unsecured lending segment.

"Many borrowers availing credit cards and personal loans also have another live retail loan outstanding, which are often high-ticket loans (that is housing and/or vehicle loan).

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"When any loan account of a borrower in a bank/FI becomes an NPA, all other loans (even if standard) of that borrower will also be classified as non-performing by that bank/FI," the study said. So, larger, secured loans of a borrower can also face delinquency risks due to defaults in smaller personal loans. Crisil Intelligence expects retail NPAs to witness some rise, primarily due to increasing NPAs under unsecured segments.

SIGNIFICANT SHIFT

AARCI's Mishra underscored that in the last five years, the composition of bank loans has undergone significant change, with personal loans growing over three times as compared to growth in industry loans. Now, personal loans constitute the largest segment of loans.

"Acquisition of stressed retail loans last year was only 15 per cent of the security receipts (SRs) issued by ARCs. This proportion is likely to go up as corporate loans shrink and retail stressed loan acquisition grow," he said. Unlike stressed corporate loans, where cashflows on account of recovery action are backended, Mishra opined that recovery from stressed retail loans such as housing will result in greater certainty and regularity in terms of cash flows for ARCs.

Sanjiv Goenka to head Telangana Sports Hub

Our Bureau
Hyderabad

The Telangana government has appointed Sanjiv Goenka, Chairman of the RP Sanjiv Goenka Group, as the Chairman of the Sports Hub to promote the sports ecosystem in the State.

Upasana Kamineni, founder of URLife and granddaughter of Apollo Hospitals founder Prathap Reddy, will be the Co-Chairwoman of the Hub. Former India Cricket captain Kapil Dev and former badminton player Pullela Gopichand are among the other members in the Hub.

POLICY GUIDANCE

"The Sports Hub will act as an umbrella organisation, providing strategic leadership and policy guidance in key areas such as infrastructure development, training and sports education.

The Hub will manage the Telangana Sports Development Fund (TSDF).

Chief Minister A Revanth Reddy recently launched a 'Sports Policy' to make the State compete with world in sports and win medals in the Olympics and promote public-private partnership in sports to avoid political interference. He said the policy would be included as one chapter in TelanganaRising 2047 vision document.

Ghose panel indicts KCR, contractors for Kaleshwaram lift irrigation project failure

Our Bureau
Hyderabad

Justice P C Ghose Commission has held former Telangana Chief Minister K Chandrashekar Rao (KCR) responsible for the failure of the Kaleshwaram lift irrigation project (KLIP), which left the State in a huge financial burden of over ₹1 lakh crore.

The Commission also found infrastructure companies L&T, Afcons, Navayuga were "hand in glove with project authorities".

"They acted with malicious intention for undue benefit. They are responsible for rectifying defects at their cost," the Commission said in its 665-page report submitted to the State government recently.

The Commission rejected the claim made by L&T (that it merely executed the works as per the design given to it is therefore) as unacceptable citing e-mail correspondence that showed the agency was involved in finalising the design.

"There was rampant and brazen procedural and financial irregularities. The project, supposed to be a lifeline of the State, became a colossal waste of public money due to a profound failure of governance planning, technical oversight, and financial discipline, driven by the individual decisions and undue influence of political leadership," it said.

Former Telangana CM K Chandrashekar Rao

UNDER THE LENS

- The project left Telangana with a debt of over ₹1 lakh crore
- Infrastructure firms L&T, Afcons, and Navayuga were found to be "hand in glove" with project authorities

Presenting the highlights of the report to media after the State Cabinet studied the report on Monday, Irrigation Minister Uttam Kumar Reddy has said that KCR was singularly blamed for the collapse of the project.

HUGE BURDEN

What started as a ₹38,500 crore project escalated to ₹71,436 crore, and then to ₹1.10 lakh crore by March 2022. The Government went for off Budget borrowings to the tune of ₹87,449, resulting in a huge burden of debt servicing.

As of September 2024, the government repaid ₹29,737 crore towards principal and interest. This leaves the outstanding principal of ₹64,212 crore with an interest burden of ₹41,638 crore, the commission noted.

Chief Minister A Revanth Reddy said that the report will be discussed in the Assembly and Legislative Council and will take a decision on further course of action. The project was aimed at lifting water from the river Godavari and diverting it to a network of reservoirs, providing irrigation and drinking water to different parts of the State.

The Congress Government appointed the Commission led by Ghose, a former Supreme Court judge and Lok Pal Chairman, to investigate negligence, irregularities, and deficiencies in the planning, design, construction, and operation and maintenance of the project.

It was also asked to identify and fix responsibility for any undue favours extended to agencies or contractors.

IRDAI slaps ₹5 cr penalty on Policybazaar for violation of various norms

Our Bureau
Hyderabad

The Insurance Regulatory and Development Authority of India (IRDAI) has imposed a penalty of ₹5 crore on Policybazaar web aggregator, now known as Policybazaar Insurance Brokers.

The penalty was imposed "along with direction, advisory and caution for various violations established under Insurance Act, 1938 and Rules and Regulations," the insurance regulator said on Monday.

Some of the violations of the norms by company, according to the IRDAI included ranking the ULIP plans of only five insurance companies as 'top products' while having agreements with other than these five companies for distribution/solicitation of insurance business, designating 24 plans of some insurers as 'Best Life Insurance Plans in India 2020' and mention of 'Top plans – Health Insurance' from 12 which is not permitted.

Violation or norms were also seen in key managerial personnel and employees of the web aggregator having directorships in other companies in addition to the same in Policybazaar and non-disclosures to the regulator.

Rupee falls amid dollar demand from oil firms

Our Bureau
Mumbai

The rupee could not hold on to early gains on Monday arising from dollar's weakness, with persistent demand for the greenback from oil companies and foreign fund outflows weighing it down.

This came amid continuing uncertainty relating to the impact of US' 25 per cent tariffs on Indian exports.

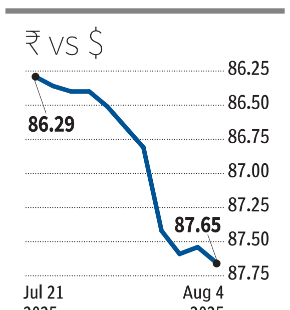
Market players say the RBI allowed the six-month $5 billion USD/INR buy/sell swap it conducted on January 31, 2025, to mature. This is likely to boost dollar liquidity to that extent and support the rupee.

The Indian currency closed at 87.6550 per dollar, down about 12 paise against Friday's close of 87.54.

In the last 10 days, the rupee has weakened about 114 paise from the 86.52 closing level on July 25 so far.

The Reserve Bank of India had conducted a $5 billion USD/INR buy/sell swap auction on January 31, 2025, as part of its efforts to infuse durable rupee liquidity in the banking system, which was then reeling under a deficit. Once the swap matures, the reverse happens – RBI sells dollars and sucks out rupee liquidity.

V Rama Chandra Reddy, Head – Treasury, Karur Vysya Bank, observed that with abundant rupee liquidity (of about ₹4 lakh crore), allowing the swap to mature will not make much of a dent on the overall banking system liquidity. The swap will bolster dollar liquidity with banks to the tune of $5 billion.



Some banks, which deployed funds from FCNR(B) deposits in the USD/INR buy/sell swap with RBI, may choose to go for a USD/INR sell/buy swap with counterparty banks if they want to boost rupee funds, he said.

KEY FACTORS

Dilip Parmar, Senior Research Analyst, HDFC Securities, said the rupee has weakened in six of the past seven days, primarily due to foreign fund outflows and liquidity adjustments by the RBI following the maturity of a $5 billion USD/INR swap.

The forward premium also jumped to reflect the potential interest rate differential between the US and India after Friday's job data from US.

Sanofi Consumer records ₹60 cr PAT in June quarter

Our Bureau
Mumbai

Sanofi Consumer Healthcare India clocked revenues of ₹220 crore for the second quarter ended June 30, 2025, supported by exports and product launches.

Profit after tax (PAT) for the quarter under review stood at ₹60 crore. The consumer healthcare entity, demerged from Sanofi India, was listed on the stock exchanges last September.

Quarter and half-year financials are not directly comparable due to the demerger and voluntary recall of certain variants of key brands, the company said. Himanshu Bakshi, Managing Director, Sanofi Consumer Healthcare India, said in a statement, that growth was fuelled by a focused portfolio and research-led innovation, among other things.

"This quarter reflects the outcomes of that focused approach, with successful relaunch of two previously recalled products and introduction of a new product."

During the last six months, the company launched Allegra D (allergy) and relaunched Depura 60k and Combiflam Suspension - recalled voluntarily last year, the company said.