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SPOTLIGHT

Defence Deal



Modi govt to acquire 145 M-777 howitzers from US

Defence ministry sources said that the cabinet committee on security, chaired by PM, has cleared the acquisition of 145 M-777 ultra-light howitzers.

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RBI lists 150 truant corp borrowers, tells banks to clean up balance sheet

By [Sangita Mehta](#), ET Bureau | Updated: Dec 09, 2015, 03.06 AM IST [Post a Comment](#)

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MUMBAI: Reserve Bank of India has identified 150 truant corporate borrowers whose accounts banks have been told not to sweep under the carpet.

The instruction comes within days of RBI governor Raghuram Rajan setting a deadline of March 31, 2017, for banks to clean up their balance sheet with stressed loans crossing double digit in most banks.

This is the first formal dialogue initiated by the regulator to drive home the point that banks should not disguise sticky loans as standard loans to shore up their profits.

The list of 150 companies comprise accounts where the corporate debt restructuring has failed and where there is a divergence in the way different banks have classified the loan - with some categorising them as non-performing assets while others continuing to recognise them as well-behaved, standard accounts.

"We have received a letter from RBI listing close to 150 troubled corporates accounts which it thinks must be downgraded," a senior banker told ET, requesting anonymity.

Bankers are worried their performance may suffer in the coming quarter as they make higher provisions on accounts pointed out by the central bank. In connection with the list circulated to banks, RBI officials are also meeting each bank separately to discuss possible measures that banks could take in improving their books and raising capital.

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Every year, after auditing a bank's books, RBI draws up a list of accounts which needs to be downgraded following which there are informal discussions between the regulator and bank. "This time, RBI has formally prepared a list of stressed accounts to ensure there is uniformity in treatment of accounts across banks.

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Stressed loans have crossed double digit in most banks

There is also divergence in how banks have classified loan

RBI has set deadline of March 31, 2017, for cleanup

Bankers are worried their performance may suffer in coming quarter

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As of now, different banks treat same account differently even when structure of loan is identical among all lenders... RBI is aiming to remove differences in treatment of loans," said another RBI official.

In the letter, RBI has also told banks they can present their argument to statutory auditors if they wish to retain any of the loans (on the list) as a standard account. But, bankers fear that since auditors would prefer to be regulators' good books, they would end up endorsing RBI's views. "RBI does not appear to be in any mood to negotiate on the classification of bad loans.

The meeting was called to understand banks' strategy because bad loans could cause some banks to bleed and make it tough for them to raise capital," said a senior banker.

Data compiled by ETIG shows bad loans have jumped sharply to Rs 3.11 lakh crore in 2014-15 from Rs 92,515 crore in 2010-11.

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