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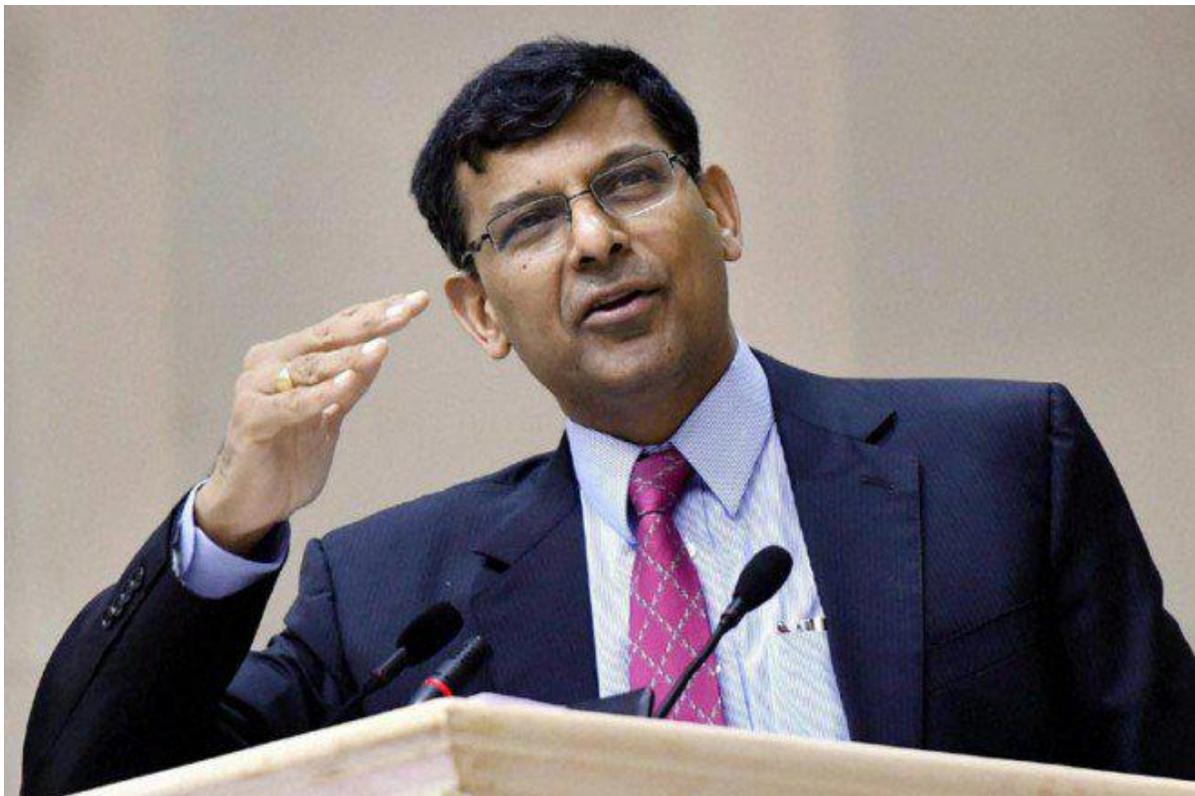
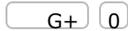


[Home](#) / [Industry](#) / [Banking finance](#) / Raghuram Rajan discusses NPA issues with bankers, ARCs

# Raghuram Rajan discusses NPA issues with bankers, ARCs

Reserve Bank of India (RBI) governor Raghuram Rajan and other senior officers on Monday met lenders, non-banking financial companies...

By: **FE Bureau** | Mumbai | Updated: January 19, 2016 9:17 AM



A statement from RBI said deputy governors R Gandhi and SS Mundra and senior officials from the regulation and supervision departments were also present at the meeting.

Reserve Bank of India (RBI) governor [Raghuram Rajan](#) and other senior officers on Monday met lenders, non-banking financial companies (NBFCs) and asset reconstruction companies (ARCs) to discuss effectiveness of stress resolution methods such as strategic debt restructuring (SDR), 5/25 and the joint lender forum (JLF).

A statement from RBI said deputy governors R Gandhi and SS Mundra and senior officials from the regulation and supervision departments were also present at the meeting.

“The meeting took stock of the way these tools are being used by the banking system and improvements needed to sharpen their efficacy and ease of use. Several suggestions were made by the participants on the way forward which will be examined,” RBI explained.

Bankers such as State Bank of India managing director B Sriram, Bank of Baroda MD & CEO PS Jayakumar, [Punjab National Bank](#) MD & CEO Usha Ananthasubramanian, Bank of India executive director Sankara Narayanan, HDFC Bank DMD Paresh Sukthankar, [Kotak Mahindra Bank](#) executive vice-chairman and MD Uday Kotak, Edelweiss Group chairman and CEO Rashesh Shah and ARCIL MD & CEO Vinayak Bahuguna attended the meeting.

The meeting, RBI said, was “to discuss current challenges with regard to the management of stressed assets in the banks’ books and implementation of various measures in this regard”.

Sankara Narayanan, executive director, BoI, said discussions were regarding the asset sales to ARCs, and effectiveness of SDR.

Sukthankar, deputy managing director, HDFC Bank, said, “Suggestions were sought and I think different players have made various suggestions on making it more effective in terms of implementations. It was just to make the existing framework much more effective.”

In a recent report, Deutsche Bank analysts wrote that RBI’s recent view of clearing the banking system’s bad assets by March 2017 should lead to higher provision (credit cost)

in near term. “Assuming a 70% requirement in provision coverage ratio (PCR) would lead to an increase in provisions of 0.5-2% of total advances across banks,” the report said, adding that while private banks would see an increase in credit cost of 40-50 bps, PSU banks are under-provided and hence would see their credit cost increase by 100-200 bps.

Edelweiss Group chairman and CEO Rashesh Shah said, “The idea was how to capitalise ARCs, how to raise more capital from international sources and how to ensure that there is lot more risk capital available which can take these assets and recover whatever value that can be recovered.”