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Banks seek CBI, CVC nod before selling stake in stressed companies

By [Saloni Shukla](#), ET Bureau | Updated: Aug 09, 2016, 04.25 AM IST

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MUMBAI: Following the central bank's directive to [banks](#) to ensure that stake sales in [stressed companies](#) under the strategic debt restructuring (SDR) does not get to fronts of the original promoters, lenders are initiating permissions from the Central Bureau of Investigation (CBI) and the Central Vigilance Commission (CVC) before closing such deals, people familiar with the development said.

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Banks decided to go ahead with the move after it was revealed that some promoters had presented their fronts as possible companies who could be interested in buying out the firm, sources said.

"RBI had asked banks to ensure more transparency in the SDR process so we have decided to take CBI and CVC approvals before we execute change of management under SDR," a banker said on the condition of anonymity.

The [SDR scheme](#), introduced by the [Reserve Bank of India](#) in June 2015, has largely been a failure with banks failing to find buyers in dozens of companies where they invoked the scheme.

SDR allows banks to convert a part of a defaulting borrower's debt into majority equity and assume operational control. Banks were earlier given 18 months to find a buyer. In February, the RBI reviewed these guidelines and said at least a 26 per cent stake in the stressed asset must be sold within 18 months and the rest can be sold in tranches.

Experts welcomed the move but are apprehensive that this might delay the process. "If banks follow the process it will make the process more transparent," Siddharth Purohit, Senior Research Analyst, Angel Broking said.

"But in a market where there are hardly any buyers, there is a risk to delay the process further." Banks have so far invoked strategic debt restructuring in over 25 cases with a combined debt of more than Rs 2 lakh crore, analysts estimated.

A Religare report had pegged SDR as a band-aid to a bullet wound. "Our analysis of 10 out of 15 strategic debt restructuring cases suggests that this scheme is in no way a cure-all for Indian banks' deteriorating asset health," the report had said.

Religare said the scheme in fact exacerbates the [NPA](#) risk by deferring an estimated Rs 1.5 lakh crore of NPA formation from nearly 30-40 bad accounts which form 2.2 per cent of total credit.

Owing to the failure in the SDR scheme the Reserve Bank also brought out a new restructuring scheme called S4A — Sustainable Structuring of Stressed Assets Scheme. This new formula allows banks to bifurcate the debt of stressed borrowers into sustainable and unsustainable portions.

Companies who can service at least half the total debt are eligible to avail of this scheme.

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