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NDTV probe: Private banks fear debt resolution may be hit

BY MAYUR SHETTY, TNN | UPDATED: JUN 07, 2017, 07:40 AM IST

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MUMBAI: Private sector bankers say that if NDTV's loan settlement with **ICICI Bank** is termed criminal, it could hit resolution of bad debts. The concerns follow the Central Bureau of Investigation (CBI) alleging that **ICICI Bank** officials may have caused wrongful gains to **NDTV** promoters by agreeing to cut the interest rate to settle the loan.

"Settlement of any stressed loan involves some sacrifice by the banker. Often this is done to protect the loan amount since stand-off might result in loss of the principal well," said a banker who didn't want to be identified. If this sacrifice were to be construed as wrongful loss to the bank and a gain to the borrower, loan resolutions would not be possible, he added.

Multinational banks in India have been able to clean up their **balance sheet** the fastest as they have taken large haircuts in loans that were in default. The government is pushing for settlement of close to Rs 4 lakh crore of bad debt owed by top 50 borrowers which account for over 40% of the banking sector's **bad loans**.

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WHAT THE WORRY IS

<ul style="list-style-type: none"> ➤ Bankers say a 'sacrifice' is part of any plan to settle stressed loans. If they don't go in for 'haircuts', they may lose principal amount as well 	<p>the authorities in the NDTV-ICICI Bank case interpreting such sacrifices as wrongful loss to the lender, loan resolutions will now take a hit</p>
<ul style="list-style-type: none"> ➤ For instance, MNC banks were quickest in cleaning up their balance sheets as they took huge haircuts in loan default cases 	<ul style="list-style-type: none"> ➤ In fact, govt has been pushing lenders to settle nearly Rs 4L-cr debt owed by the top 50 borrowers, accounting for more than 40% of all banks' bad loans
<ul style="list-style-type: none"> ➤ Bankers believe, with 	

Banks are likely to make a representation to the government and the RBI through the Indian Banks Association on commercial decisions being questioned. This is the second instance of CBI action against a commercial decision, the first being the arrest of senior officials of **IDBI Bank** on charges of improper loan sanctioning to **Kingfisher Airlines**.

The CBI, in a statement on Tuesday, said that the investigation did not pertain to loan default but to the interest relief. "ICICI Bank took the entire shareholding of the promoters in NDTV (nearly 61%) as collateral and then accepted prepayment of the loan by reducing the interest rate from 19% p.a. to nearly 9.5 % p.a. and as a consequence thereof, causing a wrongful loss of Rs 48 crore to ICICI Bank and a corresponding wrongful gain to the promoters of NDTV," the agency said.



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Last month, the government passed an ordinance authorising the RBI to issue directions to banks to initiate insolvency resolution process under the provisions of Insolvency and [Bankruptcy Code \(IBC\), 2016](#). This new legislation was aimed at breaking the logjam in the banking industry over banks' inability to resolve over Rs 7 lakh crore of bad loans.

A key feature of this legislation was creation of oversight committees to ratify decision taken by bankers. Having a panel in place is expected to shield bankers from action by investigating agencies who may later look into loan recasts. However, the government has said that there will not be any blanket protection for bankers. Also proposals have to be referred to the oversight panels by banks.

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