

Asset quality review: RBI auditing banks' books for weak accounts

By: [Shayan Ghosh](#) | Mumbai | Published: July 31, 2018 5:29 AM



The Reserve Bank of India (RBI) has, for more than three weeks, been checking for stressed assets on banks' books to ensure no "weak" account goes unnoticed in the current round of resolutions, bankers told FE.

According to a senior public sector banker, the exercise, while similar to the central bank's annual inspection of accounts, is far more thorough. The banker said RBI officials have visited the head offices of banks, seeking both recent and historical data on stressed loans dating back to even four years.

"We have been told to explain what steps were taken to resolve stress in these accounts," he said, adding that banks have not yet received any clarity on the course of action in these accounts. Bankers said these loans under inspection are primarily from the power and infrastructure sectors.

PS Jayakumar, MD & CEO, Bank of Baroda, recently told reporters that the bank could see some increase in bad loans and provisions following the RBI review of accounts. "We could have some pop-up in the NPA (non-performing asset) and provisioning numbers because there are many accounts that are being subjected to the RBI review and it is possible they will take a different view than what we have," Jayakumar said.

These checks come just a month ahead of the deadline of August 27 for banks to resolve defaults for loans of Rs 2,000 crore and above, failing which these would be referred to the National Company Law Tribunal (NCLT). In February, the RBI had asked banks, either singly or jointly, to initiate a resolution plan as soon as a corporate default is spotted. In other words, banks have several options to revive the defaulting companies, but these must be exercised within 180 days.

Going by the new framework for resolution of stressed accounts, the fate of a defaulting entity will be sealed within 465 days. If lenders are not able to work out a solution to revive a company within 180 days, the account must be referred to the bankruptcy tribunal.

Meanwhile, trying to resolve stressed assets outside the NCLT purview, two dozen lenders recently signed the inter-creditor agreement to tackle bad loans above Rs 50 crore. The agreement, part of the government's measure to deal with bad loans under Project Sashakt, will become effective by the end of this month.

Dubbed as an asset quality review, a similar exercise by the central bank in the December quarter of 2015 required banks to classify certain loans as non-performing. The RBI had red-flagged some 150 accounts that had either become toxic or were in danger of getting there. Since they needed urgent attention, it called for immediate action: More provisioning or capital to set aside these estimated at anywhere between Rs 50,000 crore and Rs 80,000 crore.

Get live [Stock Prices](#) from BSE and NSE and latest NAV, portfolio of [Mutual Funds](#), calculate your tax by [Income Tax Calculator](#), know market's [Top Gainers](#), [Top Losers](#) & [Best Equity Funds](#). Like us on [Facebook](#) and follow us on [Twitter](#).

Think Equity. Think Motilal Oswal.



PROMOTED STORIES



Salary above 35000? Get a Credit Card. 60+ Options to Choose From. Apply
BankBazaar.com



How Can Opportunity Funds Boost Real Estate Investment Returns?
Fundrise | Real estate crowdfunding and investment for



Rana Daggubati Reveals His Favourite Night Spot, Love For Hyderabadi
LiveInStyle.com