

RBI asks banks to treat crisis-hit IL&FS loans as non-performing assets

The non-payment of dues beyond 90 days would force the banks to treat their exposure as a non-performing assets

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The Reserve Bank of India (RBI) has declined a request by some lenders to the Infrastructure Leasing & Financial Services (IL&FS) group to allow them a standstill arrangement for six months for their loans.

Banking sources said some lenders, who are to close accounts for

the third quarter of FY19 early, had sought this arrangement. The plea, if accepted, would have saved them from making huge provisions, and protect their balance sheet.

The non-payment of dues beyond 90 days would force the banks to treat their exposure as a non-performing assets.

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The National Company Law Appellate Tribunal (NCLAT) had restrained lenders from taking action to recover dues as the case is sub-judice. The matter is being heard at the National Company Law Tribunal and NCLAT.

While the IL&FS group was an individual account case, the implication of default in the second quarter of FY19 by group entities was quite severe. There was almost liquidity freeze in the market during the third quarter of FY19, making it a systemic issue.

The total exposure of the group is pegged at Rs 91,000 crore. Of this, bank loans are over Rs 50,000 crore. Much of the exposure is to the public sector banks.