Bankers hope for less pain as RBI readies new stressed-asset norms

K Ram Kumar Mumbai | Updated on April 19, 2019 Published on April 19, 2019

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Central bank working on revised rules to replace Feb 12 circular

Bankers are hoping the Reserve Bank of India (RBI) will be somewhat liberal when it brings out a fresh circular on the resolution of stressed assets. On the wish-list are an extended timeline for filing of the Corporate Insolvency Resolution Process (CIRP) with the National Company Law Tribunal (NCLT) as well as implementation of the resolution plan, and reversal of provisions at the time of change of management.

A fresh circular is required as the Supreme Court on April 2 set aside the RBI's February 12, 2018, circular on revised framework for the resolution of stressed assets.

RBI Governor Shaktikanta Das had said necessary steps, including the issuance of a revised circular for quick and effective resolution of stressed assets, will be taken.

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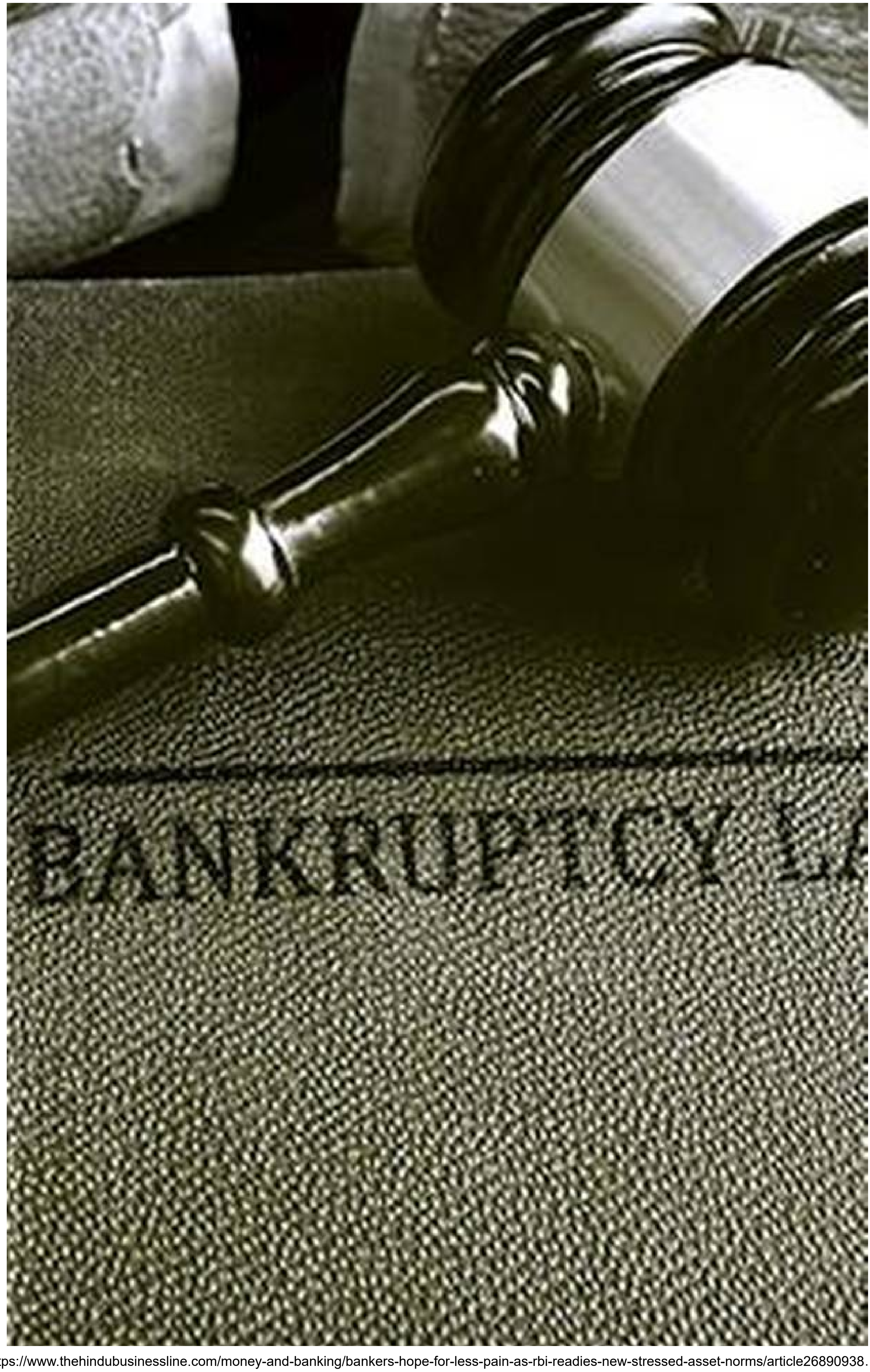
Banks have suggested to the RBI that the time period for the filing of the CIRP with the NCLT be extended to 30 days (against 15 days in the defunct circular) on default during the 'specified period'. Extra time has been sought to explore the possibility of regularisation of accounts.

'Specified period' means the period from the date of implementation of the resolution plan (RP) up to the date by which at least 20 per cent of the outstanding principal debt as per the RP and interest capitalisation sanctioned as part of the restructuring, if any, is repaid.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Further, banks have pitched for an extension of the 180-day timeline from the reference date for implementation of the RP in the case of large accounts to 270 days. Bankers reasoned that implementation of the CIRP within 180 days from the date of default — with mandate approval from all the banks in the consortium, taking into account techno-economic viability study, stock audit, forensic audit, completion of documentation and creation of security interest — is difficult, especially in the case of large and complex projects.

To alleviate the impact of provisions on their bottomline, banks have made a plea that they should be allowed to reverse provisions at the time of change of management under the Insolvency and Bankruptcy Code as well as outside it.

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The February 12 circular had stipulated that the quantum of provisions held by a bank against a stressed account as on the date of change in ownership of a borrowing entity can be reversed only after satisfactory performance during the specified period.

Flexible restructuring

As finance to stressed infrastructure projects is difficult when taken to the NCLT, bankers feel the circulars allowing flexible restructuring of loans to infrastructure and core industries, which were withdrawn after the February 12 circular was issued, can be brought back.

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NPAs NPA NCLT Insolvency and Bankruptcy Code RBI and other central banks

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