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Banks must reflect IL&FS NPAs, RBI tells NCLAT

BY PTI | UPDATED: APR 17, 2019, 08.56 AM IST

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NEW DELHI: Banks must reflect defaults of Infrastructure Leasing & Financial Services Group companies as non-performing assets in their accounts, the Reserve Bank of India said in a submission to the National Company Law Appellate Tribunal, seeking a modification of its previous order.

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NCLAT had in February prohibited banks from recognising any IL&FS group accounts as non-performing assets without first seeking approval from the tribunal.

RBI counsel Gopal Jain on Tuesday said allowing banks to recognise NPAs in their accounts would not impede the resolution process for the IL&FS group. "There is a criteria by which after 90 days (of default) they have to reflect it (NPA) in their books of accounts," Jain said. "This circular has been upheld in the Supreme Court."

The IL&FS group has a total debt of Rs 94,216 crore. The appellate tribunal bench said it would pass its order on RBI's plea on April 29.

The bench also reiterated that it would seek to release funds due to pension fund and provident fund, which had invested in lenders to 'amber' IL&FS companies on priority.

Now, all group companies of IL&FS are being classified according to their ability to meet payment obligations. Those able to meet all payment obligations are categorised as 'green' while companies able to meet only operational payments and senior secured debt obligations are categorised as 'amber'. Others are categorised as 'red'.

"We will pass an order that whoever has raised fund from these (pension and provident) funds, we will release 100% (of the dues)," said the two-member bench.

The bench was hearing a plea by lenders of 'amber' IL&FS group firms that these entities had released the funds due to lenders. Only 50 of the 169 domestic group companies are currently servicing their debt obligations with all group enjoying a moratorium on all financial claims against them ordered by the NCLAT last October.

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