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Market Watch

RBI asks banks to disclose their IL&FS exposure

BY ET BUREAU | UPDATED: APR 25, 2019, 08.03 AM IST

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Mumbai: The [RBI](#) has directed banks to disclose loans outstanding to Infrastructure Leasing & Financial Services and the provisions required to be made against the exposure, in their notes accompanying their fourth-quarter financial results.

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The RBI wants banks to disclose the total loans outstanding as well as the percentage of loans that are non-performing as per the Income Recognition and Asset Classification (IRAC) guidelines but not yet classified as [NPAs](#).

The RBI directive, posted on its website, comes after the National Company Law Appellate Tribunal ([NCLAT](#)) put a moratorium on financial institutions classifying loans linked to IL&FS as NPAs. How the IL&FS loans are treated is crucial because the company, which has defaulted on some payments, is estimated to have outstanding debt of about Rs 1 lakh crore.

Banks will also need to disclose the provisions that have to be made as per the IRAC rules and the provisions actually made as of March 2019. Banks which have already declared their fourth-quarter results also will have to make this additional disclosure.

"This is a welcome move because it will make bank exposure to IL&FS transparent. It addresses the concerns after the NCLAT order preventing the classification of these loans as NPAs," said Asutosh Mishra, head of research at Ashika Securities. "Though the RBI cannot ask banks to classify these loans as NPA, it can at least ask them to make provisions according to the IRAC norms. This now means that banks will have to show provisions which will invite questions from auditors and during the RBI's annual review."

IL&FS' consolidated debt to equity has shot up to 10:1, which together with its asset liability mismatches points to the likelihood of significantly lower loan recoveries than earlier thought. From an original debt of Rs 91,000 crore, the situation has worsened because of delays in infra projects eroding the value of operating assets.

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