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Market Watch

# RBI rejects request to extend Jan 7 deadline for resolution plans of stressed assets

BY SHILPY SINHA, ET BUREAU | JAN 08, 2020, 06.47 AM IST

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MUMBAI: The [Reserve Bank](#) of India has rejected [banks'](#) demand to extend the January 7 deadline to come up with [resolution plans](#) under [inter-creditor agreements](#) (ICAs) on stressed assets, forcing them to now refer the cases to the [bankruptcy](#) court.

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Banks were working on resolution plans for cases worth Rs 3 lakh crore. They will have to make additional provisions against accounts where resolution plans are not signed, and refer those to the National Company Law Tribunal (NCLT).

With creditors unable to agree on buyers or the restructuring mechanism, it is taking several weeks to arrive at any consensus in many cases. The last date of signing ICA was January 7 for loans exceeding Rs 2,000 crore.

Banks had asked the regulator to extend the deadline by three months so that cases close to resolution were not referred to the NCLT.

They had written to the [RBI](#) that they would make the additional 20% provision but wanted the window of resolution open till the end of the fiscal year. "We are taking legal opinion of the matter while making an additional 20% provision on the matter," said a senior bank executive.

"All banks will come together to decide on referring cases to the NCLT."

The central bank's June 7 circular requires banks to put in place an ICA within a month of the review period in case of stressed assets.

Financial institutions enter into an ICA to implement a resolution plan in 180 days, authorising the lead bank to implement it. The lead bank prepares the plan that includes empanelling turnaround specialists and industry experts for operational turnaround of the asset. In case the chief lender is unable to complete the process on time, the asset moves to the NCLT.

A recent survey of 13 banks by the RBI showed that on assets initially assigned to be resolved through the prudential framework, ICAs were yet to be signed for exposures amounting to Rs 33,610 crore. ICAs have been signed for loans totalling Rs 96,075 crore. Banks have also appointed the resolution professional for one borrower with a reported exposure of Rs 1,617 crore, according to an RBI report.

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