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Market Watch

# Banks seek RBI nod to recast Rs 3 lakh crore loans minus downgrade

BY SALONI SHUKLA, ET BUREAU | UPDATED: JUN 03, 2020, 12.52 PM IST

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Mumbai: Indian lenders have asked the central bank to allow them to restructure loans worth about Rs 3 lakh crore given to hospitality, aviation and commercial property companies without downgrading these assets on their books. These sectors are among the worst-hit by the [Covid-19](#) pandemic and subsequent lockdown.

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At the end of April, banks had an exposure of Rs 2.3 lakh crore to commercial realty, Rs 45,862 crore to hospitality businesses, and over Rs 30,000 crore to aviation firms.

Banks have told the Reserve Bank of India ([RBI](#)) that without the restructuring relief, nonperforming assets (NPA) on their balance sheets will surge.

A similar request was made by the heads of state-run lenders during their meeting with the finance minister two weeks ago.



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**WHO**  
Proposal floated by Niti Aayog

**WHY**  
Halting future bailouts by the taxpayer

**WHEN**  
Select group of top govt functionaries has begun discussions; No decision yet

**THE PROPOSAL**  
Allow 'long-term private capital' into banking sector

Give bank licences to select industrial houses, but bar them from lending to group firms

“We are in talks with RBI to extend help to worst-hit sectors. We see huge slippages in aviation, hospitality and commercial realty if restructuring benefits are not extended to past loans,” said a banker aware of the talks between banks and RBI.

To help corporate India and individuals to immediately tide over the crisis, the central bank recently extended the moratorium of loan repayments until the end of August, stretching the earlier standstill deadline of May 31. But bankers told ET that a repayment moratorium will not be enough as these sectors have been battered and may take a few quarters to have cash flows sufficient to meet repayment obligations.

“We have started extending loans from our Covid emergency lines to the companies that are the worst hit, but more than emergency loans, these sectors could be helped greatly if easier terms of repayment are given through restructuring,” said the head of a state-run bank on condition of anonymity.

Indian carriers are currently facing their worst crisis in history and have been in a no-revenue situation for two months due to the lockdown. With only a limited resumption of domestic operations late last month, bankers believe that airlines will not be able to service debt, leading to high slippages.

Rating agency ICRA has estimated that the aviation industry will need funding of nearly Rs 35,000 crore in the next three years.



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experts projecting a 25 per cent fall in space rentals or purchases.

Rating agency Crisil has predicted India's growth will contract 5 per cent in fiscal 2021 because of the pandemic and lockdown with a contraction of 25 per cent in the first quarter. According to Crisil, NPAs are set to swell to nearly 11.5 per cent of the total credit in the banking system from 9 per cent now. The rise in bad loans could bring with it capital requirements of \$25-50 billion over two years for lenders, a large part of which is expected to fund provisions, as per a Fitch Ratings estimate.

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