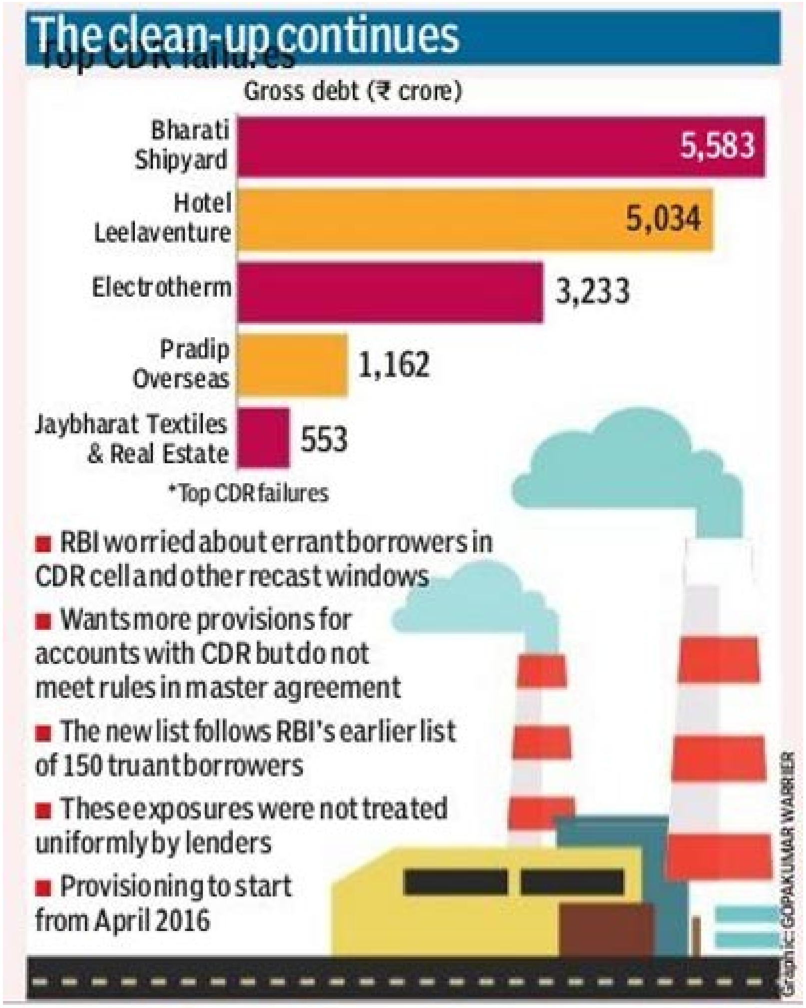
RBI raises provisions for 'yet to fail' CDR accounts

Concerned at the rising instances of loan recasts going wrong

Probably concerned at the rising number of loan recasts going wrong, the Reserve Bank of India (RBI) has asked lenders to increase provisioning for accounts that may not have yet failed corporate debt restructuring (CDR) but do not meet conditions stipulated in the master restructuring agreement. While the exact increase in the quantum of provisioning is not known, these will need to be maintained from April. Two bankers confirmed to FE that the central bank had sent them a list of such accounts for which more capital needed to be set aside. They added that the tighter norms would apply to accounts recast outside the purview of the CDR cell.

The loan recasts of several firms have failed this year with the involved amount for the first eight months of FY16 estimated at Rs 22,303 crore. The move to provision adequately for accounts where loans have been recast in the CDR cell is promoted by concerns of higher failed restructurings and especially errant borrowers, bankers explained.



Since April 2015, banks have been compelled to raise provisions for accounts that slipped into the CDR cell to 15% from 5% earlier. However, the central bank appears to ha
promoters have not pledged an adequate quantum of shares or not created r

CDR Data

	No of cases referred	Amt referred (₹ cr)	No of cases approved	Amt approved (₹ cr)
FY11	65	22,616	27	6,616
FY12	87	66,888	51	39,312
FY13	129	91,497	106	78,498
FY14	101	1,31,999	75	1,01,431
FY15	33	44014	30	39,230

Source: CDR Cell