

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:324
ANSWERED ON:01.03.2002
CORPORATE DEBT RESTRUCTURING SCHEME
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Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has introduced corporate debt restructuring scheme;
- (b) if so, the salient features of the proposed scheme;
- (c) the time by which such schemes are likely to be introduced in various banks to recover NP As ; and
- (d) by when all the NPAs are likely to be recovered?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) With a view to evolve a proper mechanism for Corporate Debt Restructuring (COR) in the country, RBI in consultation with Government of India, issued guidelines on COR on 23rd August, 2001, for implementation by Banks and Financial Institutions. The objective of the COR framework is to ensure a timely and transparent mechanism for restructuring of corporate debts of viable corporate entities affected by internal or external factors outside the purview of BIFR, ORT and other legal proceedings, for the benefit of all concerned. COR will apply only to multiple banking accounts/syndicated consortium accounts with outstanding exposure of RS.20 crore and above with the Banks and FIs. COR Empowered Group would examine the viability and rehabilitation potential of the corporate and approve the restructuring package. Since debtor corporate will have to accede to the debtor-creditor agreement, either at the time of the original loan documentation (for future cases) or at the time of reference to COR Cell, Banks will ensure proper documentation for the purpose. Standard and sub-standard accounts subjected to COR process would continue to be eligible for fresh financing of funding requirements by the lenders as per their normal policy parameters and eligibility criteria.

c) COR Cell at IOBI had started functioning and Banks are in the process of signing debtor-creditor agreement. COR mechanism would enable initiation of corrective measures in early stages and will prevent potentially viable accounts from turning into NPAs.

(d) COR mechanism will only apply to multiple banking accounts with outstanding exposure of Rs. 20 crore and above and as such, the question of recovery of all the NPAs does not arise. The cases found non-viable by COR Empowered Group will be referred to ORTs for recovery or settle through compromise settlement between the debtors and creditors.