GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4032
ANSWERED ON:26.08.2011
CORPORATE DEBT RESTRUCTURING
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Will the Minister of FINANCE be pleased to state:

(a) whether some companies have not been honouring their commitments under the corporate debt restructuring package and owes crores to financial institutions;

(b) if so, the details thereof; and

(c) the steps taken by the Government against these companies?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (c): Reserve Bank of India (RBI) has informed that they have no information in this regard.

Corporate Debt Restructuring (CDR) mechanism, under the guidance of the RBI, is a mechanism useful for the restructuring of debts of corporates by Banks / Institutions. Corporates, whose long term viability is established, but face temporary problems, are extended restructuring packages under CDR by Lenders. In such an event, Banks / Institutions are required to make provision (not write offs) as per RBI guidelines in respect of such restructured debts. Such provisions are also reversed whenever such corporate accounts turn standard assets and become regular in the payment of interest/repayments of instalments etc. to lenders. Write-offs / losses occur in respect of loss assets which are not eligible for restructuring under CDR. Most significantly, the temporary sacrifices, extended by Banks/Institutions are subject to recovery as per the recompense policy guidelines of CDR.