

**GOVERNMENT OF INDIA  
TEXTILES  
LOK SABHA**

UNSTARRED QUESTION NO:658

ANSWERED ON:13.08.2012

DEBT RESTRUCTURING PROPOSALS

Adhalrao Patil Shri Shivaji;Choudhry Smt. Shruti;Dharmshi Shri Babar Gajanan;Joshi Dr. Murli Manohar;Majhi Shri Pradeep Kumar;Muttemwar Shri Vilas Baburao;Patel Shri Kishanbhai Vestabhai;Rao Shri Nama Nageswara;Sayeed Muhammed Hamdulla A. B. ;Sivasami Shri C.;Yadav Shri Dharmendra;Yadav Shri Dinesh Chandra

**Will the Minister of TEXTILES be pleased to state:**

- (a) whether the Union Government proposes to formulate debt restructuring proposals to bail out the textile industry;
- (b) if so, the details thereof alongwith the mechanism proposed by the Government and Reserve Bank of India/Financial Institutions in this regard;
- (c) whether the small and medium scale textile mills are the worst affected because of the fluctuations in the cotton price during the last two years;
- (d) if so, the time by which the restructuring proposal including a two year moratorium on term loans is likely to be finalised in support of various textile mills;
- (e) whether the Textiles Ministry has requested the Ministry of Finance for loan restructuring for debt stressed textiles industry and held discussions with various stakeholders in this regard;
- (f) if so, the details thereof alongwith the modalities chalked out during the discussion;
- (g) whether the Government has constituted any committee to coordinate textile industry with banks; and
- (h) if so, the details thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SMT. PANABAANKA LAKSHMI)

(a) & (b): Yes Madam, Government has issued directions to Banks for restructuring of textiles industry loans on a case by case basis in accordance with the Reserve Bank of India's prudential guidelines on re-structuring of advances by banks.

(c): Yes Madam. Bank of Baroda Capital Market has, in its Assessment Report on Stress in the Textile Industry has estimated that the total fund based credit (including TUFs) extended to the textile industry was at Rs.155,809 crores. With the addition of the estimated non-fund credit of Rs.15,542 crores, the total exposure of Banks to textile industry amounts to Rs.171,351 crores. On the basis of revenues and cost projection of 303 companies for FY 12, Bank of Baroda Capital Market Ltd., has arrived at an EBIT of Rs.13,311 crores. On that EBIT, there is a deficit to the tune of 25.8% (or Rs.4,630 crores) on a debt+interest payable of Rs.17, 942 crores per year. On the basis of their calculations, it is expected that the outstanding debt at the end of FY12 should be Rs.100,617 crores, of which 25.8% needs to be rescheduled. This works out to Rs.25,967 crores, and if another Rs.10,000 crores is to be added, which would be the loss in value of the inventory, the the total loans that need to be restructured should be about Rs.36,000 crores.

(d): The restructuring by Banks under RBI's extant guidelines is to be completed in 90 days after the applications are submitted in the prescribed formats to Banks.

(e) & (f): Yes madam. A meeting on debt-restructuring was chaired by the then Finance Minister where the following decisions were taken:-

(A) The detailed study and the restructuring proposal by Bank of Baroda Capital Markets may be forwarded to Reserve Bank of India for their consideration

(B) Individual banks will provide a window for restructuring of loans for textiles industry on a case by case basis

(C) Administrative Ministry will mobilize industry to formulate the case by case restructuring proposals

(D) An inter-ministerial group of officers may be constituted to meet industry to sort out issues.

The Study Report was forwarded to the Reserve Bank of India who, in its response on June 29, 2012 has said

(i) The case for asset classification benefit on second restructuring is not justified

(ii) The concession sought on provisioning is not acceded to, as provisioning is the first defence against expected losses

(iii) The RBI has expressed its 'no objection' to moratorium on repayment of principal amounts and conversion of working capital into Working Capital Term Loans repayable over a period of 3-5 years.

In pursuance of RBI's advice, Ministry of Finance has issued directions to Banks to create a special window for textile industry debt-restructuring on case by case basis.

(g) & (h): A Group of Officers has been constituted by Government on 13th June, 2012 to coordinate with Banks and Textile industry for restructuring of loans.