

The Reserve Bank on Thursday indicated to the finance ministry that its February 12 circular on new framework for stressed assets provides enough space for resolution of bad loans in the power sector, according to a senior official.

The RBI made its stand clear at a stakeholders' meeting, called by the ministry to discuss the circular, the implementation of which was stayed for the power sector by Allahabad High Court. The next hearing is on July 10.

During the meeting, a broad consensus emerged on setting up of a task force of eminent experts to analyse issues related to the sector including fuel supplies, power purchase agreements and delays in payment by discoms.

“RBI maintains that the circular does not stop the restructuring. Even if there is default the restructuring is possible within the time frame available,” said the official who attended the meeting said.

“What RBI is saying is that if you have resolution plan, maintain it, stick to it. The issues of the quality of equity along with availability of finances, willingness of the bankers to restructure and also these sectoral issues of the power sector as such... If they are all taken up together, their circular still gives them sufficient space to banks to restructure,” the official said.