

## Committee recommends setting up AMCs for large, stressed loans

Piyush Goyal

The Sunil Mehta Committee, set up to look into the faster resolution of stressed assets, has recommended the creation of an asset management company for the resolution of stressed loans worth more than Rs. 500 crore, Finance Minister Piyush Goyal announced on Monday.

The committee had also laid out a plan to resolve SME loans within 90 days.

“The committee set up under Sunil Mehta has submitted its report and recommendations,” Mr. Goyal told the media. “The report comprises a bank-led resolution process and a five-pronged strategy to resolve stressed assets called Project Sashakt.”

The idea is to resolve SME loans of less than Rs. 50 crore in less than 90 days.

“Banks should create a focussed vertical for management of stressed assets for priority resolution of SMEs,” according to a presentation by Mr. Goyal.

“Resolution should be non-discretionary, non-discriminatory and completed within a time-bound manner within 90 days.”

### Monitoring mechanism

In addition, the committee had recommended the setting up of a “robust monitoring and review mechanism” to track resolution with clear escalation metrics for breached timelines.

“The key difficulty is in arriving at a consensus approach among a large number of lenders,” the Finance Minister said.

“And exposure in the Rs. 50-500 crore category is usually by multiple banks.”

In light of this, the committee recommended that such lenders enter into an inter-creditor agreement to authorise the lead bank to implement a resolution plan in 180 days.

“The lead bank would then prepare a resolution plan including empanelling turnaround specialists and other industry experts for operational turnaround of the asset,” according to the presentation.

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