

Corporate Debt Restructuring

DBOD.No.BP.BC 101/21.01.002/2001-02

May 9, 2002

All Commercial Banks (excluding RRBs)

Dear Sir,

Corporate Debt Restructuring

Please refer to paragraph 132 in the “Statement on Monetary and Credit Policy for the year 2002-03” enclosed to Governor’s letter No.MPD.BC.214/07.01.279/ 2001-02 dated April 29, 2002.

2. Guidelines on Corporate Debt Restructuring (CDR) were issued vide our circular DBOD.BP.BC.15/21.04.114/2000-01 dated August 23, 2001 for putting in place a framework outside the purview of BIFR, DRT and other legal procedures for restructuring debts of viable corporate entities facing financial problems. As proposed in the Union Budget 2002-03, RBI constituted a High Level Group (Chairman: Shri Vepa Kamesam, Deputy Governor) to review the operations of the CDR scheme to identify the operational difficulties, if any, in smooth implementation of the scheme and to suggest measures to make the scheme even more effective. As an interim measure, it has been decided that permission for corporate debt restructuring will be made available by RBI on the basis of specific recommendations of CDR “Core-Group”, if a minimum of 75 per cent (by value) of the lenders constituting banks and FIs consent for CDR, irrespective of differences in asset classification status in banks/financial institutions.

3. Please acknowledge receipt.

Yours faithfully,

(M.R. Srinivasan)

Chief General Manager-in-Charge