FROM THE EDITOR'S DESK

Greetings!

Banks have been increasingly facing the pressure of non-performing assets owing to the protracted economic slowdown in India. Stalled manufacturing and infrastructure projects have resulted into blocking of cash flows of the big ticket bank borrowers leading to recovery woes for banks, particularly for public sector banks. NPA can be defined as an advance where payment of interest or repayment of installment of principal (in case of term loans) or both remains unpaid for a certain period. In India, the definition of NPAs has changed over time. According to the Narasimham Committee Report (1991), those assets (advances, bills discounted, overdrafts, cash credit etc.) for which the interest remains due for a period of four quarters (180 days) should be considered as NPAs. Subsequently, this period was reduced, and from March 1995 onwards the assets for which the interest has remained unpaid for 90 days were considered as NPAs.

Corporate Debt Restructuring (CDR)

A proper CDR mechanism is very helpful in a country like India, where the Balance Sheets of the lenders show a large number of Non Performing Assets. Corporate Debt Restructuring is basically a mechanism by way of which a company restructures its outstanding debts when it finds it is difficult to repay the same.

Objectives of CDR

- To ensure timely and transparent mechanism for restructuring
- To minimize losses of creditors and other stake holders
- To make the corporates financially viable

Assets Reconstruction Companies (ARC)

ARC specializes in the recovery and liquidation of assets. Banks which wish to clean their balance sheet at one go, may divest their NPA to an ARC at a discounted value after which it is the latter's responsibility to recover the outstanding dues from the borrowers directly.

Prevention is always better than post-mortems. During an economic downturn, the focus should be on strict due diligence before selection of assets. CMA professionals can play an important role in the current scenario to help banking sector in effective NPA management.CMAs can support the Banking and Financial Institutions in the areas of their operations such as Pre-Sanction Level, Post-Sanction Level, Monitoring of the stressed accounts, Risk Based Internal Audit in Banks, Business and Asset valuation, Development of Cost Management module for different operations of the Bank, Evaluation of cost of different transactions, Effective Cost Management in banking transactions, Strategic Cost Management, Risk Management in Banking Sector and new product pricing, etc.

The Management Accountant has been published regularly since 1966.We are now stepping into the Golden Jubilee year in 2015. We will be introducing new sections in the Journal from January 2015 to cater the needs of the readers.This issue presents a good number of articles on the cover story theme 'NPA Management and Corporate Debt Restructuring' by distinguished experts and authors and interviews from industry stalwarts. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles. I wish you all a very happy and prosperous new year ahead.