



PRESS RELEASES

 (321 kb)

Date : Nov 17, 2020

The Lakshmi Vilas Bank Ltd. placed under Moratorium

The financial position of The Lakshmi Vilas Bank Ltd. (the bank) has undergone a steady decline with the bank incurring continuous losses over the last three years, eroding its net-worth. In absence of any viable strategic plan, declining advances and mounting non-performing assets (NPAs), the losses are expected to continue. The bank has not been able to raise adequate capital to address issues around its negative net-worth and continuing losses. Further, the bank is also experiencing continuous withdrawal of deposits and low levels of liquidity. It has also experienced serious governance issues and practices in the recent years which have led to deterioration in its performance. The bank was placed under the Prompt Corrective Action (PCA) framework in September 2019 considering the breach of PCA thresholds as on March 31, 2019.

The Reserve Bank had been continually engaging with the bank's management to find ways to augment the capital funds to comply with the capital adequacy norms. The bank management had indicated to the Reserve Bank that it was in talks with certain investors. However, it failed to submit any concrete proposal to Reserve Bank and the bank's efforts to enhance its capital through amalgamation of a Non-Banking Financial Company (NBFC) with itself appears to have reached a dead end. As such, the bank-led efforts through market mechanisms have not fructified. As bank-led and market-led revival efforts are a preferred option over a regulatory resolution, the Reserve Bank had made all possible efforts to facilitate such a process and gave enough opportunities to the bank's management to draw up a credible revival plan, or an amalgamation scheme, which did not materialise. In the meantime, the bank was facing regular outflow of liquidity.

After taking into consideration these developments, the Reserve Bank has come to the conclusion that in the absence of a credible revival plan, with a view to protect depositors' interest and in the interest of financial and banking stability, there is no alternative but to apply to the Central Government for imposing a moratorium under section 45 of the Banking Regulation Act, 1949. Accordingly, after considering the Reserve Bank's request, the Central Government has imposed moratorium for thirty days effective from today.

The Reserve Bank assures the depositors of the bank that their interest will be fully protected and there is no need to panic. In terms of the provisions of the Banking Regulation Act, the Reserve Bank has drawn up a scheme for the bank's amalgamation with another banking company. With the approval of the Central Government, the Reserve Bank will endeavour to put the Scheme in place well before the expiry of the moratorium and thereby ensure that the depositors are not put to undue hardship or inconvenience for a period of time longer than what is absolutely necessary.

The Reserve Bank has also issued certain directions to the bank under section 35 A of the Act *ibid*.

(Yogesh Dayal)
Chief General Manager

Press Release: 2020-2021/645