

## **Indian lenders take Rs 4000 crore hit on Mumbai based jeweller Winsome**

However, they were left with no choice thanks to the "accelerated payment" provision in the gold loan agreement between Winsome and bullion banks. This provision enabled the bullion banks to invoke LCs well before due dates if there were signs that Winsome would default in future. Indian banks may have changed their stance after RBI pointed out that their non-payment could be construed as sovereign default, say bankers familiar with the case.

Emails and text messages to KR Kamath, Chairman of Punjab National Bank, the leader of the 15-member consortium, went unanswered. However, a senior official of the state-owned bank said that personal guarantee furnished by Su-raj promoter Jatin Mehta is still with banks. But lenders, whose total exposure to Winsome group exceeds 6,000 crore, may be unable to avert a hit by invoking Mehta's personal guarantee.

Mehta, who is related to the Adanis -- a well known business family - stepped down as Winsome chairman last year and mostly operates out of Dubai and Singapore.

Meanwhile, banks have been recently told that Winsome's inability to repay is due to huge derivative losses suffered by the jeweller's overseas clients who are said to be in financial difficulties.

Around eight bank officials visited Dubai to carry out on-site inspection of these counterparties of the Winsome group. A meeting also took place between the lenders, Jatin Mehta and the foreign counterparties at Sharjah. While representatives of these counterparties admitted at the meeting that they had defaulted to Winsome following derivative losses, banks are yet to verify these claims and have no detailed knowledge about these Middle-East companies.

Winsome has also proposed a restructuring of loans so that the dues can be cleared over 8 to 10 years. But banks, who are yet to spell out their stand, may ask the counterparties (Winsome's Dubai customers) to make a down payment of at least 25% of the outstanding dues to demonstrate their commitment. Banks also want Mehta to open an escrow account so that they are able to get hold of funds remitted to Winsome companies by overseas clients.

The Indian banking consortium is conducting a forensic audit on Winsome. Banks have decided that they will consider restructuring the loans only if the audit establishes that additional funding is viable and funds were not diverted, said a person familiar with the negotiations.

A core committee of lenders has been formed to review the accounts. It includes PNB, Union Bank of India, Central Bank of India and Canara Bank.

*(Economic Times)*