

Resolution Framework for COVID-19 - Related Stress

The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 ("**Prudential Framework**") provides a principle-based resolution framework for addressing borrower defaults under a normal scenario. Any resolution plan implemented under guidelines of "Prudential Framework"¹ which involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to Standard, subject to the prescribed conditions.

1. The economic fallout on account of the COVID-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.
2. Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, under the Prudential Framework of RBI, Bank will be implemented a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions. The details of the facility are given in the Annex-A.
3. Bank has to ensure that the resolution under this facility is extended only to borrowers having stress on account of COVID-19. Further, Bank will be required to assess the viability of the resolution plan, subject to the prudential boundaries laid out in this Annex-A.
4. Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this framework may continue to be considered for resolution under the Prudential Framework, or the relevant instructions as applicable to specific category of our Bank where the Prudential Framework is not applicable.
5. Bank's exposures shall also be included for any resolution under this facility. Consequently, without prejudice to the specific conditions applicable to this facility, all the norms applicable to implementation of a resolution plan, including the mandatory requirement of Inter-Creditor Agreements (ICA) and specific implementation conditions, as laid out in the Prudential Framework shall be applicable to bank for any resolution plan implemented under this facility. Terms used in this document, to the extent not defined herein, shall have the same meaning assigned to them in the Prudential Framework.

Annex-A Conditions for the Resolution Framework for COVID-19-related Stress

1. The framework shall be applicable to eligible borrowers - corporate persons or otherwise - subject to the conditions specified herein. Part A of this Annex pertains to requirements specific to resolution of personal loans and Part B pertains to resolution of other eligible borrowers. Part C prescribes the prudential treatment of the exposures in respect of which resolution plans are implemented under

¹ The term "Prudential Framework", wherever used in this circular, refers to the "Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019".

this facility while Part D lists the disclosure requirements for the Bank with respect to the resolution plans implemented under this framework

2. Without prejudice to the exceptions of the Prudential Framework, the following categories of borrower's / credit facilities shall not be eligible for a resolution plan under this framework:
 - a) MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020.
 - b) Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated) or other relevant instructions as applicable to specific category of lending institutions.
 - c) Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
 - d) Exposures of lending institutions to financial service providers².
 - e) Exposures of lending institutions to Central and State Governments; Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
 - f) Exposures of housing finance companies where the account has been rescheduled in terms of para 2(1) (zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020, unless a resolution plan under this framework has been invoked by other lending institutions. However, from the date of this circular, any resolution necessitated on account of the economic fallout of Covid-19 pandemic, shall be undertaken only under this framework.
3. The resolution framework to be approved by Board pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The policy shall, *inter alia*, detail the eligibility of borrowers in respect of whom Bank may be willing to consider the resolution, and Bank will lay down the due diligence considerations to be followed by the to establish the necessity of implementing a resolution plan in respect of the concerned borrowers.
4. The reference date for the outstanding amount of debt that may be considered for resolution shall be March 1, 2020.

Part A: Resolution of Stress in Personal Loans

5. This part shall be applicable to resolution of personal loans³ sanctioned to individual borrowers by our Bank. However, credit facilities provided by our Bank to our own personnel/staff shall not be eligible for resolution under this framework.

² Financial service providers shall have the same meaning as in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016

³ 'Personal loans', for the purpose of this circular shall have the same meaning as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics".

6. Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, but not in default for more than 30 days with the lending institution as on March 1, 2020.
7. The eligible borrowers' accounts should continue to be classified as Standard till the date of invocation of resolution under this framework. For this purpose, the date of invocation shall be the date on which both the borrower and the Bank have agreed to proceed with a resolution plan under this framework.
8. Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation. However, bank shall strive for early invocation.
9. The resolution plans may *inter alia* include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
10. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:
 - a) all related documentation, including execution of necessary agreements between our Bank and borrower and collaterals provided, if any, are completed by the bank concerned in consonance with the resolution plan being implemented;
 - b) the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
 - c) borrower is not in default with the lending institution as per the revised terms.
11. Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

Part B: Resolution of Other Exposures

12. This part shall be applicable to all other eligible exposures of our Bank not covered in Part 'A'.
13. Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, but not in default for more than 30 days with any lending institution as on March 1, 2020. Further, the accounts should continue to remain standard till the date of invocation.
14. In case where exposure to the borrower is under Sole Banking with Our Bank, the decision regarding the request for resolution by the borrower may be taken by the Bank as per the Board approved policy and within the contours of this framework. For this purpose, the date of invocation shall be the date on which both the borrower and Bank have agreed to proceed with a resolution plan under this framework.

15. If there are multiple lending institutions with exposure to the borrower including our Bank, the resolution process shall be treated as invoked in respect of any borrower if lending institutions representing 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 per cent of lending institutions by number agree to invoke the same.
16. Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 180 days from the date of invocation.
17. In all cases involving multiple lending institutions including our Bank, where the resolution process is invoked and consequently a resolution plan has to be implemented, ICA shall be required to be signed by all lending institutions within 30 days from the date of invocation.
18. In cases where the resolution process has been invoked but lending institutions representing not less than 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based) and not less than 60 per cent of lending institutions by number, do not sign the ICA within 30 days from the invocation, the invocation will be treated as lapsed. In respect of such borrowers, the resolution process cannot be invoked again under this framework.
19. Lenders to the borrower which are other than the lending institutions as per this circular may also sign the ICA, if they so desire. If such lenders sign the ICA, they shall be fully bound by the stipulations of the ICA.
20. All disputes, if any, between signatories to the ICA regarding the resolution process shall be settled as per the provisions of the ICA and the Reserve Bank will not intermediate any such disputes. Bank shall ensure that the ICA contains such a dispute redressal mechanism that clearly lays down the recourse available to a signatory to the ICA who wants to raise a dispute.
21. As the resolution process requirements and the prudential treatment subsequent to the implementation are applied collectively to all lenders, including those to which the Prudential Framework is not applicable, the ICA should provide for suitable mechanisms for information sharing amongst lending institutions during and after implementation of the resolution plan.
22. If any of the above timelines are breached at any point, the resolution process ceases to apply immediately in respect of the borrower concerned. Any resolution plan implemented in breach of the above stipulated timelines shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable, as if the resolution process was never invoked under this framework.

Expert Committee

23. The Reserve Bank had constituted an Expert Committee which has recommend a list of financial parameters which, in their opinion would be required to be factored into the assumptions that go into each resolution plan, and the sector specific benchmark ranges for such parameters. The parameters is inter alia cover aspects related to leverage, liquidity, debt serviceability etc.
24. The Expert Committee had already submitted such list of financial parameters and the sector-specific desirable ranges for such parameters to the Reserve Bank, which has been accepted and circulated by RBI to the bank vide circular RBI/2020-21/34 DOR.No.BP. BC/13/21.04.048/2020-21 dated

September 7, 2020 - Resolution Framework for COVID-19-related Stress – Financial Parameters. The key ratios are given in Annex – B

25. Accordingly, bank shall mandatorily consider the key ratios while finalizing the resolution plans in respect of eligible borrowers under Part B of Annex-A to the Resolution Framework.
26. The Expert Committee shall also have the responsibility of vetting the resolution plans to be implemented under this window in respect of all accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is Rs.1500 crore and above. The Committee shall check and verify that all the processes have been followed by the parties concerned as desired without interfering with the commercial judgments exercised by the lenders.

Permitted features of the resolution plan

27. The resolution plan may involve any action as provided in the paragraph 13 of the "Prudential Framework", except compromise settlements which shall continue to be governed by the provisions of the Prudential Framework or the relevant instructions, if any, applicable to specific category of lending institutions where the Prudential Framework is not applicable. The resolution plan may also include sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid19 even if there is no renegotiation of existing debt.
28. The Bank may allow extension of the residual tenor of the loan, with or without payment moratorium, by a period not more than two years. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
29. The revised assumptions that go into the plan shall, at the minimum, factor in the financial parameters decided by the Expert Committee and the ranges for such parameters, as notified by the Reserve Bank.

Conversion into other securities and valuation

30. The resolution plan may provide for conversion of a portion of the debt into equity or other marketable, nonconvertible debt securities issued by the borrower, provided the amortization schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of the lending institutions, post implementation of the resolution plan. The holding of such instruments by the respective lending institutions shall be subject to the extant instructions on investments as applicable to them.
31. The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework whereas debt securities shall be valued as per the instructions compiled at Paragraph 3.7.1 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), or other relevant instructions as applicable to specific category of lending institutions.
32. In case the lending institutions convert any portion of the debt into any other security, the same shall collectively be valued at Re.1.

Other features

33. Resolution plans in respect of accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is Rs.100 crores and above, shall require an independent credit evaluation (ICE) by any one credit rating agency (CRA) authorized by the Reserve Bank under the Prudential Framework.
34. The resolution plan shall further provide that in accounts involving consortium or multiple banking arrangements, post implementation of the plan, all receipts by the borrower, all repayments by the borrower to the lending institutions, as well as all additional disbursements, if any, to the borrower by the lending institutions as part of the resolution plan, shall be routed through an escrow account maintained with one of the lending institutions.
35. To ensure that the above operations are carried out smoothly, lending institutions shall enter into a formal agreement with the escrow manager detailing the duties and responsibilities of the escrow manager and the lending institutions, as well as the enforcement mechanism that will be contractually available to the escrow manager to ensure that lending institutions service their disbursement obligations on a timely basis.

Part C. Asset classification and provisioning

36. Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as 'standard asset' till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities in the interim.
37. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever is worse.
38. If a resolution plan is implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the plan
39. In respect of personal loans where a resolution plan is implemented under this facility, the lending institutions shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt).
40. In other cases where a resolution plan is implemented under this facility, the lending institutions, which had signed the ICA within 30 days of invocation, shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the total debt, including the debt securities

issued in terms of clause 30, held by the ICA signatories post-implementation of the plan (residual debt).

41. However, lending institutions which did not sign the ICA within 30 days of invocation shall, immediately upon the expiry of 30 days, keep provisions of 20 per cent of the debt on their books as on this date (carrying debt), or the provisions required as per extant IRAC norms, whichever is higher. Even in cases where the invocation lapses on account of the thresholds for ICA signing not being met, in terms of clause 18, such lending institutions which had earlier agreed for invocation but did not sign the ICA shall also be required to hold 20 percent provisions on their carrying debt.
42. The additional provisions maintained, if any, by lending institutions in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 in respect of such borrowers, to the extent not already reversed, may be utilized for meeting the provision requirements in all cases under this facility.
43. Any additional provisions maintained in terms of Paragraph 17 of the Prudential Framework, wherever applicable, may be reversed at the time of invocation of the resolution plan under this facility. However, if the plan is not implemented within 180 days from invocation, provisions as per the Prudential Framework shall be required to be maintained, as if a resolution process was never invoked under this window.

Reversal of Provisions

44. In case of personal loans resolved under this facility, half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
45. In case of resolution of other exposures, the provisions maintained by the ICA signatories may be reversed as prescribed in clause 39. However, in respect of the non-ICA signatories while half of the provisions may be reversed upon repayment of 20 percent of the carrying debt, the other half may be reversed upon repayment of another 10 per cent of the carrying debt, subject to the required IRAC provisions being maintained.

Post Implementation Performance

46. For personal loans, after implementation of the resolution plan in terms of this facility, the subsequent asset classification will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions.
47. In respect of exposures other than personal loans, any default by the borrower with any of the signatories to the ICA during the monitoring period shall trigger a Review Period of 30 days.

Monitoring period, for this purpose, is defined as the period starting from the date of implementation of the resolution plan till the borrower pays 10 percent of the residual debt, subject to a minimum of one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

48. If the borrower is in default with any of the signatories to the ICA at the end of the Review Period, the asset classification of the borrower with all lending institutions, including those who did not sign the ICA, shall be downgraded to NPA from the date of implementation of the resolution plan or the date from which the borrower had been classified as NPA before implementation of the plan, whichever is earlier.
49. In all cases, further upgradation shall be subject to implementation of a fresh restructuring under the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.
50. Upon completion of the monitoring period without being classified as NPA, the asset classification norms will revert to the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions.
51. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for: (i) the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA; as well as, (ii) the additional provisioning requirements on account of Paragraph 17 of the Prudential Framework, as and when the Prudential Framework becomes applicable in respect of the particular account.

Part D: Disclosures & credit reporting

52. In Bank' quarterly statements, disclosures as per the prescribed format in the financial statements for the quarters ending March 31, 2021, June 30, 2021 and September 30, 2021, shall have to be made. Disclosures in the prescribed format every half-year, i.e., in the financial statements as on September 30 and March 31, starting from the half-year ending September 30, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier, shall have to be made.
53. The credit reporting by the Bank in respect of borrowers where the resolution plan is implemented under this facility shall reflect the "restructured" status of the account if the resolution plan involves renegotiations that would be classified as restructuring under the Prudential Framework. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

The above relief measures for the borrower shall be approved by respective sanctioning authorities across all business segments.

Annex – B – Key Ratios

Key Ratios	Definition
Total Outside Liabilities / Adjusted Tangible Net Worth (TOL/ATNW)	Addition of long-term debt, short term debt, current liabilities and provisions along with deferred tax liability divided by tangible net worth net of the investments and loans in the group and outside entities.
Total Debt / EBITDA	Addition of short term and long-term debt divided by addition of profit before tax, interest and finance charges along with depreciation and amortisation.
Current Ratio	Current assets divided by current liabilities
Debt Service Coverage Ratio (DSCR)	For the relevant year addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.
Average Debt Service Coverage Ratio (ADSCR)	Over the period of the loan addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.

- The sector-specific thresholds (ceilings or floors, as the case may be) for each of the above key ratios that should be considered by the bank in the resolution assumptions with respect to an eligible borrower are given in the Annex-C. In respect of those sectors where the sector-specific thresholds have not been specified, bank shall make its own internal assessments regarding TOL/ATNW and Total Debt/EBITDA. However, the current ratio and DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.
- Bank is free to consider other financial parameters as well while finalizing the resolution assumptions in respect of eligible borrowers apart from the above mandatory key ratios and the sector-specific thresholds that have been prescribed. The above requirements are applicable even in cases when there is only one lending institution with exposure to an eligible borrower.
- The ratios prescribed above are intended as floors or ceilings, as the case may be, but the resolution plans shall take into account the pre-COVID-19 operating and financial performance of the borrower and impact of Covid-19 on its operating and financial performance at the time of finalizing the resolution plan, to assess the cash flows in subsequent years, while stipulating appropriate ratios in each case.
- Given the differential impact of the pandemic on various sectors/entities, bank, at its discretion, adopt a graded approach depending on the severity of the impact on the borrowers, while preparing or implementing the resolution plan. Such graded approach may also entail classification of the impact on the borrowers into mild, moderate and severe, as recommended by the Expert Committee.
- Bank is expected to ensure compliance to TOL/ATNW agreed as per the resolution plan at the time of implementation itself. Nevertheless, in all cases, this ratio shall have to be maintained as per the resolution plan by March 31, 2022 and on an ongoing basis thereafter. However, wherever

the resolution plan envisages equity infusion, the same may be suitably phased-in over this period. All other key ratios shall have to be maintained as per the resolution plan by March 31, 2022 and on an ongoing basis thereafter.

- The compliance in regard to meeting the agreed ratios should be monitored as financial covenants on an ongoing basis, and during subsequent credit reviews. Any such breach not rectified within a reasonable period, in terms of the loan contract, will be considered as financial difficulty.

Other Clarifications - Applicability of ICA and Escrow account

- The various requirements of the Resolution Framework, especially the mandatory requirement of ICA, wherever applicable, and maintenance of an escrow account after implementation of a resolution plan, shall be applicable at the borrower-account level, i.e. the legal entities to which the Bank has exposure to, which could include a special purpose vehicle having a legal-entity status, set up for a project.
- Signing of ICA is a mandatory requirement for Bank in all cases involving multiple lending institutions, where the resolution process is invoked, and the requirement of additional provisions if the ICA is not signed within 30 days of invocation does not substitute for the mandatory nature of ICA. Compliance with this regulatory requirement shall be assessed for Bank as part of the supervisory review.

Annex C - Sector-specific thresholds (ceilings or floors, as applicable) of key ratios for 26 sectors

Sectors	TOL/ ATNW	Total Debt/ EBITDA	Current Ratio	Average BANKING UNITR	BANKING UNITR
Auto Components	<= 4.50	<= 4.50	>= 1.00	>= 1.20	>= 1.00
Auto Dealership	<=4.00	<=5.00	>=1.00	>=1.20	>=1.00
Automobile Manufacturing*	<= 4.00	<= 4.00	NA	>= 1.20	>= 1.00
Aviation**	<= 6.00	<= 5.50	>= 0.40	NA	NA
Building Materials - Tiles	<=4.00	<=4.00	>=1.00	>=1.20	>=1.00
Cement	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Chemicals	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Construction	<=4.00	<=4.75	>=1.00	>=1.20	>=1.00
Consumer Durables / FMCG	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Corporate Retails Outlets	<=4.50	<=5.00	>=1.00	>=1.20	>=1.00
Gems & Jewellery	<=3.50	<=5.00	>=1.00	>=1.20	>=1.00
Hotel, Restaurants, Tourism	<=4.00	<=5.00	>= 1.00	>=1.20	>=1.00
Iron & Steel Manufacturing	<=3.00	<=5.30	>=1.00	>=1.20	>=1.00
Logistics	<=3.00	<=5.00	>=1.00	>=1.20	>=1.00
Mining	<=3.00	<=4.50	>=1.00	>=1.20	>=1.00
Non Ferrous Metals	<=3.00	<=4.50	>=1.00	>=1.20	>=1.00
Pharmaceuticals	<=3.50	<=4.00	>=1.00	>=1.20	>=1.00
Plastic Product	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00

Port & Port Services	<=3.00	<=5.00	>=1.00	>=1.20	>=1.00
Power					
- Generation	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
- Transmission	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
- Distribution	<=3.00	<=6.00	>=1.00	>=1.20	>=1.00
Real Estate##					
- Residential	<=7.00	<=9.00	>=1.00	>=1.20	>=1.00
- Commercial	<=10.00	<=12.00	>=1.00	>=1.20	>=1.00
Roads	NA	NA	NA	>=1.10	>=1.00
Shipping	<=3.00	<=5.50	>=1.00	>=1.20	>=1.00
Sugar	<=3.75	<=4.50	>=1.00	>=1.20	>=1.00
Textiles	<=3.50	<=5.50	>=1.00	>=1.20	>=1.00
Trading – Wholesale @	<=4.00	<=6.00	>=1.00	Instead Interest Coverage Ratio > = 1.70	

Note: Some of the key ratios have been marked as not applicable in the case of certain sectors in line with the recommendations of the Expert Committee which has concluded that those ratios may not be relevant for the respective sectors to which they have been made as not applicable.

*No threshold has been prescribed for Current Ratio due to the “just in time inventory” business model for raw materials and parts, and finished goods inventory is funded by channel financing available from the dealers.

**DSCR thresholds have not been prescribed since most of the airline companies work on refinancing of debt as a financing strategy. Consequently, average DSCR threshold is also not prescribed.

##In the roads sector, the financing is cash flow based and at SPV level where the level of debt is decided at the time of initial project appraisal. The working capital cycle in this sector is also negative. Accordingly, ratios like TOL / ATNW, Debt/EBITDA and Current ratio may not be relevant at the time of restructuring in this sector.

@Most of the companies in the sector do not use long term debt for funding their operations and are unlisted. Hence BANKING UNITR and average BANKING UNITR may not be relevant for the sector.

Annex D: Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses

RBI vide circular ref DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on Resolution Framework for COVID-19-related Stress (“**Resolution Framework – 1.0**”) had provided a window to enable bank to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

In continuation to the above Circular and due to resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties, RBI has introduced “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” vide Circular ref RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 with the objective of alleviating the potential stress to individual borrowers and small businesses, the following set of measures are being

announced. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

The circular is divided into three parts as below:

Part E - Pertains to requirements specific to resolution of advances to individuals and small businesses;

Part F - Pertains to working capital support for:

- (i) Individuals who have availed of loans for business purposes, and
- (ii) Small businesses, where resolution plans were implemented previously.

Part G - lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window.

Part E - Resolution of advances to individuals and small businesses

1. Bank is permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.
2. The following borrowers shall be eligible for the window of resolution to be invoked by the Bank:
 - a) Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by lending institutions to their own personnel/staff.
 - b) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.50 crores as on March 31, 2021.
 - c) Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Provided that the borrower accounts / credit facilities shall not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex-A “Conditions for the Resolution Framework for COVID-19 related stress”, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020).

Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 20 below.

Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.

3. Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”), or the relevant instructions as applicable to specific category of Bank where the Prudential Framework is not applicable.

Invocation of resolution process

4. This Board approved policy pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The detail the eligibility of borrowers in respect of whom the bank shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the bank to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window to be approved in Credit Risk Management Committee (CRMC) before implementation of Plan. Once approved, the relevant portion of the approved policy shall be sufficiently publicised and should be available on the website of the Bank in an easily accessible manner.
5. The resolution process under this window shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the Bank from customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the approved policy put in place as above shall be completed, and the decision on the application shall be communicated in writing or through digital channel to the applicant by the Bank within 30 days of receipt of such applications. In order to optimise the processing time, Bank shall prepare product-level standardized templates as part of approved policies with approval from Credit Risk Management Committee (CRMC), as above, for resolution under this window.
6. The decision to invoke the resolution process under this window shall be taken by bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
7. The last date for invocation of resolution permitted under this window is September 30, 2021.

Permitted features of resolution plans and implementation

8. The resolution plans implemented under this window inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
9. The moratorium period, if granted, will be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities shall also be granted to borrowers, with or without payment moratorium. The

overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

10. The resolution plan shall also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of Annex-A Conditions for the Resolution Framework for COVID-19-related Stress
11. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.
12. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if all the conditions in Paragraph 10 of Annex-A Conditions for the Resolution Framework for COVID-19-related Stress are met.

Asset classification and provisioning

13. If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers’ accounts classified as Standard may be retained as such upon implementation, whereas the borrowers’ accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.
14. The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).
15. In respect of borrowers where the resolution process has been invoked, Bank is permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.
16. Bank shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

17. Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
18. Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.
19. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

Convergence of the norms for loans resolved previously

20. In cases of loans of borrowers specified in Clause 2 of Part E, where the resolution plans had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, Bank is permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 9 above, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.
21. This modification shall also follow the timelines specified in Clauses 4, 7 and 12 above. For loans where modifications are implemented in line with Clause 20 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

Part F - Working capital support for small businesses where resolution plans were implemented previously

22. In respect of borrowers specified at sub-clauses (b) and (c) of Clause 2 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, Bank is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by bank by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.
23. The above measures shall be contingent on the bank satisfying that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.
24. Once approved, the relevant portion of the approved policy shall be sufficiently publicised and should be available on the website of the Bank in an easily accessible manner.

Part G - Lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window

25. Bank publishing quarterly financial statements shall, at the minimum, make disclosures as per the prescribed format in financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part E of this framework should also be included in the continuous disclosures required as per the prescribed format in the Resolution Framework – 1.0.
26. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 20 above, and the aggregate exposure of the Bank to such borrowers shall also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
27. The credit reporting by the bank in respect of borrowers where the resolution plan is implemented under Part E of this window shall reflect the “restructured due to COVID-19”⁴ status of the account. The credit history (CIC) of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

Resolution plans can be done by way of;

- Alteration of repayment period
- Alteration in amount of installment
- Alteration in rate of interest
- Moratorium on repayment
- Any one or any combination of all of above

Annex E. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

1. In continuation to the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on restructuring of advances to the MSME borrowers and ref to Bank’s “Stressed Assets & Recovery Policy”, due to uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, RBI has permitted bank for extending the facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions:
 - i. The borrower shall be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
 - ii. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
 - iii. The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹50 crores as on March 31, 2021.
 - iv. The borrower’s account was a ‘standard asset’ as on March 31, 2021.
 - v. The borrower’s account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019

⁴ DoR.FIN.REC.46/20.16.056/2020-21 dated March 12, 2021

(collectively referred to as MSME restructuring circulars) or the circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress.”

- vi. The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the bank and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the bank from customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the bank within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by bank having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
 - vii. The restructuring of the borrower account is implemented within 90 days from the date of invocation.
 - viii. If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
 - ix. Upon implementation of the restructuring plan, bank shall keep provision of 10 percent of the residual debt of the borrower.
 - x. All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.
2. In respect of restructuring plans implemented as per above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan.
 3. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, bank is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by bank by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the bank at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.
 4. The above measures shall be contingent on the bank after satisfying that the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.