

RESOLUTION FRAMEWORK FOR COVID – 19 – RELATED STRESS (“RFCRS”)

FAQs on Resolution Plan for “Other Exposure”

“RFCRS” is Resolution framework for COVID – 19 Related Stress. It is the name of the bank scheme of One Time Restructuring

(Business Loans , Eligible Agriculture Loans , Short Term, Medium Term , Long Term Loans & Advances , Working Capital Loans & Advances)

1.	Why the Resolution Framework?	Ans. It is a relief provided for the eligible borrowers, who have faced genuine business related financial difficulties arising out of COVID 19, Pandemic.
2.	What is RFCRS?	Ans. RFCRS is Resolution framework for COVID – 19 related Stress. It is the name of the bank scheme of One Time Restructuring.
3.	What is COVID 19 Stress?	Ans. Any financial difficulty leading to stressed cash flows, factory shutdown etc., arising out of the imposed COVID 19 lockdown by Central & State Governments, is termed as COVID 19 Stress, which may ultimately lead to inability to pay Interest & Installment by the Borrower.
4.	Who are Eligible Customers?	Ans. Any Borrower account classified as standard, but not in default for more than 30 days as on March 1, 2020 and should continue to remain standard till the date of Invocation of restructuring under the Scheme is eligible.
5.	Which Loan Accounts are Eligible?	Ans. Business Loans , Eligible Agriculture Loans , Short/Medium/Long Term Loans & Advances, Working Capital Loans & Advances.(For account specific eligibility please visit your Branch)
6.	The following categories of borrowers / credit facilities “shall not be eligible” for a resolution plan under “RFCRS”: A. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25crores or less as on March 1, 2020 (MSME Exposures above this threshold to be covered under this framework). B. Farm credit*, Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture. C. Exposures of lending institutions to Financial Service Providers (FSPs), NBFCs, D. 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. E. 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	

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	resolution necessitated on account of the economic fallout of Covid-19 pandemic, shall be undertaken under RFCRS.	
7.	What is Restructuring?	Ans. Restructuring is an act in which a Bank, relating to the borrower's financial difficulty (In this case due to COVID 19 Financial Stress/Difficulty), grants repayment relief to the borrower. A Restructuring would normally involve modification of terms of the advances, which would inter alia include, reschedulement/alteration of payment period / payable amount / the amount of installments etc.
8.	What is One Time Restructuring?	Ans. One Time Restructuring is a scheme of resolution allowed by RBI, wherein Banks are allowed to provide reschedulement relief in payments to its for customers who are eligible for relief due to COVID 19 related financial difficulty/Stress.
9.	Can the Borrower avail the RFCRS, if Borrower have availed Regulatory Moratorium?	Ans. Yes, This Facility Is Available In Addition To The 6 (six) Month's Moratorium Allowed To The Accounts.
10.	Is the borrower required to bring in additional capital / Additional Security / Pledge of shares / Personal/Corporate Guarantee/ Right of Recompense?	Ans. The various stipulations may be made part of the resolution plan & the various requirements will be dealt on case to case basis and including all or any of the ones mentioned will be required as part of the restructuring proposal. For details please discuss the same with your branch.
11.	Independent Credit Evaluation is required?	Ans. For Loan exposure of Rs.100 crores and above Independent credit evaluation (ICE) by any one credit rating agency (CRA) authorized by the Reserve Bank under the Prudential Framework is mandatory.
12.	What is stipulation of RBI Expert Committee?	Ans. As per <u>Annexure I</u> , (Detailed Sector Specific Thresholds as stipulated by RBI Expert Committee.)
13.	What is time frame for invocation & Implementing of RFCRS- One Time restructuring?	Ans. Resolution Plan to be invoked not later than December 31, 2020, It must be implemented within 90 days for personal/Retail Loans & 180 days for all other Exposures from the date of invocation.
14.	What is Invocation Date?	Ans. “Invocation date” is a date on which both the borrower and lending institution have agreed/approved to proceed with a resolution plan of restructuring. The Invocation is allowed till 31.12.2020 as mentioned in Point 13 above.

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15.	How do I apply & what documents to be submitted?	Ans. Eligible Borrower may approach the branch where their account is maintained. Documents establishing the eligibility under the Scheme, viz. Application, GST Financial Returns/ Other Income/ Turnover Returns & Audited Financial Statement, Estimated /Projected CMA Data, Cash & Fund Flow Statements, or any other document / information as per requirement of the branch, may be submitted to the Branch for processing of the request. Detail list of other documents can be discussed with the branch.
16.	What is a viable Restructuring Plan	Ans. Restructuring plan which helps in keeping the personal/firm/company/entity repayment capacity intact, within the permitted guidelines.
17.	What is the permitted guideline for the relaxations that can be allowed under the Restructuring?	Ans. Permitted Guidelines allow up to maximum 2 years of reliefs to all eligible customers. For other exposures i.e. other than personal loans mandatory performance parameters as per Regulatory guidelines (<u>Detailed under Annexure I</u>) are to be adhered to, for details please discuss with your branch.
18.	What is the criterion for successful implementation of Inter Creditor Agreement (ICA) execution in Consortium/MBA?	Ans. 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.
19.	What is time line for execution of ICA?	Ans. ICA shall be required to be signed by all lending institutions within 30 days from the date of invocation, with minimum number as Per Point 18 above.
20.	What are various reliefs available under the Restructuring Scheme?	Ans: - Restructuring of Debts which involves either or all of the following:- <ul style="list-style-type: none"> - Reschedulement /Deferment of Dues (Interest/Installments). - Granting Moratorium. - Allowing Partial/full Interchangeability from Fund Based to Non- Fund Based Limits. - Allowing Interchange ability from Non– Fund Based to Fund Based Limits, subject to terms & conditions. - Deep Restructuring.

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		- Need Based Additional limit.
13.	What is Deep Restructuring?	Ans. It involves carve outs / conversion of debt into equity & other Instruments/securities.
14.	What is the definition of “FSP”?	Ans. As per section 3(17) of the IBC, 'financial service provider' means “a person engaged in the business of providing financial services in terms of authorization issued or registration granted by a financial sector regulator”.
15.	What is the treatment for accounts not eligible under the Scheme?	Ans. Accounts to be covered under RBI Circular on Prudential Framework for Resolution of Stressed Assets, dated 07.06.2019. Bank internal guidelines are in place, please contact the branch for further details.

Note -

***Farm Credit is defined as detailed under:-**

1. Farm Credit - Individual farmers:- Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs) i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans] and Proprietorship firms of farmers, directly engaged in Agriculture and Allied Activities, viz. dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include:

- a) Crop loans including loans for traditional/non-traditional plantations, horticulture and allied activities.
- b) Medium and long-term loans for agriculture and allied activities (e.g. purchase of agricultural implements and machinery and developmental loans for allied activities).
- c) Loans for pre and post-harvest activities viz. spraying, harvesting, grading and transporting of their own farm produce.
- d) Loans to distressed farmers indebted to non-institutional lenders.
- e) Loans under the Kisan Credit Card Scheme.
- f) Loans to small and marginal farmers for purchase of land for agricultural purposes.
- g) Loans against pledge/hypothecation of agricultural produce (including warehouse receipt) for a period not exceeding 12 months subject to a limit up to Rs.50 lakh.
- h) Loans to farmers for installation of stand-alone Solar Agriculture Pumps and for solarisation of grid connected Agriculture Pumps.
- i) Loans to farmers for installation of solar power plants on barren/fallow land or in stilt fashion on agriculture land owned by farmer.

2. Farm Credit - Corporate farmers, Farmer Producer Organizations (FPOs)/(FPC) Companies of Individual Farmers, Partnership firms and Co-operatives of farmers engaged in Agriculture and Allied Activities:-

- (a) Loans for the following activities will be subject to an aggregate limit of Rs.2 crore per borrowing entity:
 - (i) Crop loans to farmers which will include traditional/non-traditional plantations and horticulture and loans for allied activities.
 - (ii) Medium and long-term loans for agriculture and allied activities (e.g. purchase of agricultural implements and machinery and developmental loans for allied activities).
 - (iii) Loans for pre and post-harvest activities viz. spraying, harvesting, grading and transporting of their own farm produce.
- (b) Loans up to Rs.50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- (c) Loans up to Rs.5crore per borrowing entity to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price.

Resolution Framework for COVID-19-related Stress – Financial Parameters

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

Sectors	TOL / ATNW	Total Debt/ EBITDA	Current Ratio	Average DSCR	DSCR
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 Manufacturing	<=3.50	<=4.00	>=1.00	>=1.20	>=1.00
Plastic Products Manufacturing	<=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 DSCR and average DSCR may not be relevant for the sector.
