

FREQUENTLY ASKED QUESTIONS (FAQs)

RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS

OTHER THAN PERSONAL SEGMENT LOANS

1.	What is the purpose of this Resolution Framework?
	The purpose of this Framework is to provide relief to units who otherwise have a good track record, but whose operations have been adversely affected by the Covid-19 pandemic and their debt burden becoming disproportionate relative to their cash flow generation abilities.
2.	What are the eligibility conditions for my unit to qualify for relief under the Framework?
	To be eligible under the Framework, the following eligibility conditions need to be fulfilled: <ul style="list-style-type: none"> iii. Your loan should be a “Standard Account” as on date of application and should have been ‘Standard’ and also not in default for more than 30 days as on 01.03.2020. iv. Your unit’s operations should have been affected by Covid-19 pandemic as a result of which your cash flows/revenues have declined significantly and you are not in a position to service your loan instalments/ debt.
3.	What documents do I need to provide alongwith application for being considered for relief under this Framework?
	You need to submit the following documents: <ul style="list-style-type: none"> i. Board Resolution (in case of Companies) stating that the Company’s operations are under stress on account of Covid-19. In case of other applicants, an undertaking, that unit’s operations are under stress on account of COVID-19. ii. GST returns from April 2020 till the latest available month and also for the corresponding period of the previous year. iii. In case of listed companies, the latest financials filed with Stock Exchanges to be submitted. iv. Cash budget and projected financials for the period of loan. v. Any other document as advised by your Branch/Relationship Manager.
4.	Which are the Loans not covered under this Framework of RBI?
	The following loans are not covered under this Framework: <ul style="list-style-type: none"> i. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020. (covered under separate scheme of RBI) ii. Farm credit iii. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture. iv. Exposures to financial service providers including NBFCs.

	<p>v. Exposures to Central and State Governments, Local Government bodies (e.g. Municipal Corporations) and body corporates established by an Act of Parliament or State Legislature.</p>
5.	How to apply for relief under above Framework ?
	You can submit your request at the Branch where your account is maintained or alternatively contact your Relationship Manager and submit your request.
6.	What is the last date to apply for relief under the Framework?
	<p>i. For loans with aggregate exposure of Rs.1500 crs and above from the banking system, last date is 15.11.2020.</p> <p>ii. For others, the last date to apply for relief under the Framework is 30.11.2020 (However, it would be advisable to submit your applications by 15.11.2020).</p>
7.	What is the process of availing relief if I am banking with a Consortium?
	If there are multiple lending institutions in a consortium with exposure to the borrower, 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.
8.	What is the timeline for Implementation of Resolution Plan ?
	The Resolution Plan to be implemented within maximum 180 days from the date of invocation. If the above timeline is 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 extant Prudential Framework of RBI, as if the resolution process was never invoked under this resolution framework for COVID 19 related stress.
9.	What are the relief/relaxations available under the Framework in case of Term Loans?
	<p>The following relief/relaxations are available in case of Term Loans, subject to compliance of bank norms:</p> <p>i. Moratorium of up to 2 years for repayment of instalments of principal.</p> <p>ii. Extension in the tenor of the loan by up to a maximum of 2 years.</p> <p>iii. Interest moratorium upto a maximum of 6 months. The interest accrued during the moratorium period to be capitalized.</p>
10.	What are the relief/relaxations available under the Framework in case of Working Capital Loans?
	<p>The following relief/relaxations are available in case of working capital loans, subject to compliance of bank norms:</p> <p>i. Interest moratorium of up to 6 months which is repayable within a maximum period of 2 years.</p> <p>ii. Need based additional funding may be provided which shall be repayable in not more than 5 years.</p>

11.	Whether moratorium mentioned above will be in addition to the moratorium already granted by the Bank earlier on account of Covid-19 related stress?
	Yes, the moratorium sanctioned under this Framework will be in addition to the moratorium granted, if any, by the Bank earlier.
12.	Whether there will be any change in Loan Instalments?
	Yes. On account of moratorium granted, the tenure of your loan can be extended by upto a maximum of 24 months and the instalments payable after the moratorium will be recalculated and advised to you.
13.	If additional loan facilities are sanctioned by the Bank, whether any capital has to be infused by the promoters?
	Minimum Promoter's Contribution (capital infusion) of 10- 15% of the additional loan facilities sanctioned has to be brought in.
14.	Will any Processing Fee need to be paid?
	Processing fee/ Upfront fee @0.25% of the aggregate limits will be payable.
15.	Will there be any change in pricing of my loans?
	Yes, there will be change in pricing to offset cost of additional provisions that the Bank is required to make for extending the benefits under this Resolution Framework. The pricing would be as under: <ul style="list-style-type: none"> i. FITL/WCTL/WCDL sanctioned under the Framework: 100 bps above your current pricing on Working Capital Loans. Any concessions provided during the resolution period shall result in right of recompense.
16.	Whether any additional security will have to be furnished in case relief under the framework is sanctioned?
	The following additional security will have to be furnished: <ul style="list-style-type: none"> i. In case of unlisted entities, Personal Guarantee of the promoters will have to be furnished. ii. In case of listed companies, promoters will have to pledge their shares.
17.	Is Independent Credit Evaluation (ICE) of the Resolution Plan (RP) by External Credit Agencies mandatory?
	Independent Credit Evaluation(ICE) of the Resolution Plan (RP) by any one RBI accredited Rating Agency under the Prudential Framework will be required in respect of accounts where aggregate exposure exceeds Rs.100 crores from lending institutions. Only such RPs (resolution plans) which get a credit opinion of RP4 or better shall be considered for implementation.
18.	What ratios have been prescribed by RBI constituted Expert Committee for various industries?
	The ratios prescribed by RBI that are intended as floors or ceilings, as the case may be are as Annexure A below.

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

Sectors	TOL / Adj TNW	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 Mfg	<=3.50	<=4.00	>=1.00	>=1.20	>=1.00
Plastic Products Mfg	<=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 / Adj TNW, 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 Avg DSCR may not be relevant for the sector.