Kotak Mahindra Bank

COVID STRESS RESOLUTION POLICY

(Version-1.00)

(As approved by Board in the meeting held on 12th September 2020)

INDEX OF CONTENTS

Contents

1. **INTRODUCTION:**

RBI earlier notified “Prudential Framework for Resolution of Stressed Assets” vide its circular no. RBI/2018-19/ 203 / DBR.No. BP.BC.45 / 21.04.048 / 2018-19 dated 7th June 2019.

Due to COVID-19 pandemic, RBI had notified COVID-19 Regulatory Package on 27.03.2020 valid up to 31.05.2020 and extended the scheme up to 31.08.2020. The Bank’s Board had approved One-time COVID regulatory package on 31.03.2020 and modified it in May 2020 due to the changes made by RBI including extension of term loan moratorium / CC & OD interest deferment period.

Due to the prolonged COVID pandemic, the economic fallout has led to significant financial stress for borrowers across the board. Hence, RBI has introduced a new framework for resolution of stress for COVID-19 impacted borrowers, vide circular no. RBI/2020-21/16 / DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August 2020 (new COVID Stress resolution framework). As per this framework, restructuring can be undertaken without the borrower being classified as substandard. This framework is divided into two parts, one for personal loans to individuals and another part for other exposures.

2. **SCOPE OF THE POLICY:**

- This policy shall be applicable Pan-Bank.
- This policy shall be subject to relevant stipulations of RBI and laws & regulations in force from time to time.
- This policy shall be read in conjunction with ‘Resolution of Stressed Assets and Recovery Policy’ of the Bank approved by the Board on 22nd July, 2019 following the RBI revised framework named 'Prudential Framework for Resolution of Stressed Assets' vide circular no. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 7th June 2019. In case of any inconsistency between the policies, the current policy will apply.

3. **VALIDITY PERIOD:**

Resolution under this framework may be invoked up to and not later than 31st December 2020 or such other time as may be permitted by RBI in future.

4. **EXISTING PRUDENTIAL FRAMEWORK:**

The Bank had adopted revised & updated ‘Resolution of Stressed Assets and Recovery Policy’ with Board approval on 22nd July 2019. This is pursuant to ‘Prudential Framework for Resolution of Stressed Assets’ notified by RBI on 7th June 2019, as referred above.

As per this framework, under normal circumstances, any restructuring of a debt would require standard classified borrowers being downgraded to NPA (substandard) , except in cases where there is a change in ownership of the borrower unit. Through the aforesaid new circular on COVID stress resolution, RBI has now allowed standard classification of the borrower to continue, if the borrower and the lending institution agree to proceed with a resolution plan under the new COVID stress resolution framework.

Any resolution plan to be implemented contrary to the provisions of this new COVID stress resolution framework, or beyond the timelines provided by this framework, shall be governed by the normal provisions for resolution of stressed assets covered in the 'Resolution of Stressed Assets and Recovery Policy'. This means that any restructuring of standard assets not implemented within timelines stipulated herein, would lead to downgrade of the asset to NPA status.

5. BORROWERS QUALIFIED FOR RESTRUCTURING:

This resolution framework for COVID-19 related stress is applicable for borrowers who are classified as standard and not in default for more than 30 days with the Bank, as on 1st March 2020. The framework is broadly divided into 2 parts:

- Framework for Personal Loans
- Framework for Loans other than Personal Loans

Stipulations for Personal Loans:
Personal loans extended to individuals are eligible for relief under this policy.

For this purpose, 'Personal loans' 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". As per this circular, 'Personal loans' refer to loans given to individuals and consist of:

1) Consumer credit : This refers to the loans given to individuals, which consists of
    a. loans for consumer durables,
    b. credit card receivables,
    c. auto loans (other than loans for commercial use),
    d. personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
    e. personal loans to professionals (excluding loans for business purposes), and
    f. loans given for other consumptions purposes (e.g., social ceremonies, etc.).

    Consumption loans do not include loans given to farmers under KCC
2) Education loans,
3) Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and
4) Loans given for investment in financial assets (shares, debentures, etc.).

Stipulations for Other exposures (Other than Personal Loans):
Exposures which are not personal loans to individuals as mentioned above, are considered as "other exposures". This category would also include loans to individuals which are given for business purposes.

Eligibility Norms:

Resolution plans under this framework is provided only to borrowers having stress on account of Covid19.

Personal Loans:
Individual borrowers impacted by COVID-19 would, inter alia, include those whose activities were adversely affected by income and/or expense factors like :

- Reduction in salary
- Job loss,
- Drop in income of individuals/family impacting his/her repayment capacity,
- Any other factors arising due to COVID (which has impacted the financial /repayment ability of the borrower or the family – Ex: Hospitalisation expenses)

Other Exposures impacted by COVID:
In case of exposures other than personal loans as well, resolution plans for eligible borrowers under this framework is provided only to the borrowers having stress on account of Covid19. Borrowers impacted by COVID19 would include those whose business activities have been adversely affected by factors like –

- Cancellation / deferment / re-schedulement of orders/drop in demand
- Changes in government/regulatory policies
- Disruption arising out of lockdown, containment zones and other restrictions
- Shutdown of unit / work place,
- Non-availability of adequate manpower,
- Non-availability or inadequate availability of inputs/raw materials required for business activity,
- Halting or slow-down of project under implementation,
- Inadequate transportation facilities for transport of goods / people,
- Death of key promoter director / managerial personnel due to COVID, which disrupted business decision administration & operations,
- Non-realization of debtors or elongation of realization period,
- Any other factors arising due to COVID (which has impacted the financial /repayment ability of the borrower).

Borrowers not eligible:

The following exposures of the Bank are not eligible for resolution under this policy:

a) Credit facilities provided by the Bank to their own personnel/staff.

b) MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020. It may be noted that the Bank's Policy on Revival and Rehabilitation of MSMEs will apply for such MSME borrowers.
c) 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), on priority sector lending, or other relevant instructions as applicable to specific category of lending institutions.
d) Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
e) Exposures to financial service providers as in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016.
f) Exposures to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

Other exclusions:

- Borrowers / promoter directors/partners who are classified as willful defaulters / fraud with any lender shall not be eligible for restructuring relief / additional finance under this policy. Fraud classification may be identified by check of Central Fraud Registry. However, as provided by RBI, there may be cases of fraud/malfeasance where the existing promoters are replaced by new promoters and the borrower company is totally delinked from such erstwhile promoters/management. In such cases, the Bank may take a view on restructuring of such accounts based on their viability, without prejudice to the continuance of criminal action against the erstwhile promoters/management.
- Borrowers who/which are under insolvency resolution process under Insolvency and Bankruptcy Code (IBC) shall also not be eligible for relief under this policy.

6. RESOLUTION PLAN FORMULATION AND IMPLEMENTATION

For being eligible for a resolution plan, borrowers should be existing borrowers of the Bank as on 1st March 2020, classified standard, not in default for more than 30 days, who are impacted by COVID-19 pandemic, and satisfy the conditions specified above and shall not be in the excluded category. The eligible borrowers shall continue to be classified as standard till the date of invocation of resolution under this framework.

The resolution under this framework may also be invoked for borrowers who have availed benefits like moratorium/deferment of interest under the COVID regulatory package earlier announced by RBI.

Credit Committee Level - G is authorized to approve delegation of authority and operating guidelines & norms with regard to restructuring of such loans.

6.1 RESOLUTION FOR PERSONAL LOANS:

The provisions are as follows:

a) **Invocation date and time limit:** The date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework. The resolution under this framework may be invoked up to 31st December 2020 and must be implemented within a maximum of 90 days from the date of invocation.

b) **Reliefs available:** The resolution plan for personal loans may involve rescheduling of some, or all 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, post restructuring, subject to a maximum moratorium of two years. Correspondingly, the overall tenor of the loan may also get modified, subject to a maximum of two years extension. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

c) **Evaluation of borrowers:** While sanctioning the moratorium period, tenor extension (within 2 years stipulated by RBI) or any additional finance, the following principles may be considered by the relevant business segments of the Bank:

- Each product or business segment would lay down broad eligibility parameters to decide on the borrowers who would be eligible for restructuring
- The eligible borrowers would be those whose immediate ability to repay their loans has been impacted on account of COVID19, but who otherwise has a capability to meet his loan obligations upon being given a tenor extension and/or moratorium upto a maximum of 2 years, within the ambit of extant regulatory guidelines
- The parameters to decide the eligible borrowers would, inter alia, include leverage, debt servicing capability, liquidity, past repayment track record, the Credit Bureau score, internal score card, loan to value in case of loans secured against hard collateral, total number loans / credit cards availed, Cheque/ECS bounces in the past etc
- Bank will consider a resolution plan, depending on the profile of the customer

d) **Implementation date:** Resolution/Restructuring plan has to be implemented within specified timeline as specified above. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- All related documentation, including execution of necessary agreements between the Bank and borrower and collaterals provided, if any, are completed in consonance with the resolution plan being implemented;
- The changes in the terms and conditions of the loans get duly reflected in the Bank's books; and,
- The borrower is not in default with the Bank as per the revised terms.

6.2 RESOLUTION FOR OTHER EXPOSURES (i.e. Other than personal loans):

The provisions are as follows:

a) **Invocation date:** 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. The date of invocation shall be as follows:

   i. **In case of sole-lender:** The date on which both the borrower and Bank have agreed to proceed with a resolution plan under this framework.
   ii. **In case of multiple lenders:** 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.

b) **Invocation and implementation time limit:** The resolution under this framework may be invoked up to 31st December 2020 and must be implemented within a maximum of 180 days from the date of invocation.

c) **Reliefs available:** The resolution plan may include any action specified in the RBI's Prudential Framework for Resolution of Stressed Assets and covered in the Bank's Resolution of Stressed Assets and Recovery Policy. The Resolution Plan (RP) may involve any action / plan / reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership and restructuring. The RP may also include sanction of additional credit facilities to address the financial stress of borrowers even if there is no renegotiation of existing debt. Any extension of tenor of credit facilities, with or without moratorium, shall be subject to maximum of two years. Any moratorium period granted shall come into force immediately upon implementation of the resolution plan. However, compromise settlements shall not be governed by this COVID resolution policy.

d) **Consortium / Multiple Banking Arrangement (MBA):** In consortium / MBA cases, the following stipulations will apply:
   - **Inter-Creditor Agreement (ICA) :** In line with RBI circular dated Sept 6, 2020, in case of consortium/multiple banking arrangements, signing of the ICA is mandatory by the Bank and it shall be executed within 30 days from invocation of resolution. In exceptional cases, if the ICA is not signed within stipulated time (30 days from invocation of resolution), additional provisioning may become applicable. Refer the section on asset classification & provisioning given below.
   - The resolution plan shall be formulated & implemented as decided by the creditors under the ICA mechanism.
   - The ICA discussions and leader's assessment will be considered for the purpose of taking a decision on restructuring. In case of multiple banking as well, the ICA discussions and assessment will be duly considered.

- **Escrow arrangement:** an escrow account shall be maintained with one of the lenders (if not already in place). Post implementation of resolution plan, all repayments from borrower / additional disbursements (if any) as part of resolution plan shall be routed through the escrow account. For this purpose, the lenders shall jointly enter into a formal agreement with the escrow manager, detailing the duties & responsibilities and enforcement mechanism.

e) **Financial evaluation:** While undertaking restructuring, the financial parameters laid by the Expert Committee shall be complied with, as a minimum requirement. Restructuring of loans and/or additional finance shall be subject to evaluation of adequate repayment capacity over the restructured tenor. The following broad principles may be considered.

- Each business segment/group may lay down eligibility parameters in their Operating guidelines to decide on the borrowers who would be eligible for restructuring
- The eligible borrowers would be those whose immediate ability to repay their loans would have been impacted on account of COVID, but who otherwise have a capability to meet their loan obligations, by giving them a tenor extension and/or moratorium upto a maximum of 2 years, within the ambit of extant regulatory guidelines
- The parameters to decide the eligible borrowers & extent of reliefs would be based on factors such as leverage, debt servicing capability, liquidity, their past repayment track record, etc.
- Bank will consider a resolution plan, depending on the profile of the customer
- In case of sole banking relationships, the eligibility norms to decide on the borrowers eligible for restructuring would be specified in the Operating guidelines.
- In case of multiple banking/consortium arrangement however, these eligibility criteria would serve as a broad guidance for the bank. As required by the RBI circular dated 6th August 2020, the decision to undertake restructuring in such cases may be decided by the bank in conformity with the decision taken by the consortium/MBA, under the ICA framework, irrespective of whether the Bank's eligibility norms are met by the borrower or not

f) Financial Parameters with Sector specific benchmark ranges

- The RBI, vide its circular no BP.BC./13/21.04.048/2020-21 dated 7th Sept 2020 has laid down the financial parameters and the sector-specific desirable ranges for such parameters that need to be adhered to, as a part of the resolution plan being implemented for the borrower The Bank shall duly apply these parameters in respect of all borrowers for whom a resolution plan is being implemented. These parameters are discussed in para 6.3.

- In case of borrowers where the aggregate exposure of all lenders at the time of invocation is Rs.1,500 crores or more, the resolution plan has to be vetted by an 'Expert Committee' constituted by the RBI. The committee shall check and verify that all the processes & financial parameters have been followed by the parties concerned, without interfering with the commercial judgement exercised by the lenders.

g) **Independent Credit Evaluation:** In cases where the aggregate exposure of all lenders is Rs.100 crores or more, at the time of invocation, the resolution plan requires Independent Credit Evaluation (ICE) by any one credit rating agency authorized by RBI. As specified in RBI's prudential framework and the Bank's Resolution of Stressed Assets and Recovery Policy, only such resolution plans which receive a credit rating of RP4 (moderate safety), or better for the residual debt (to be held by lenders), shall be considered for implementation.

h) **Additional finance:** While evaluating any additional finance under the restructuring package, the additional finance already availed by borrowers under the ECLG scheme of NCGTC to small borrowers / should be considered.

6.3 KEY RATIOS TO BE CONSIDERED FOR FINALISING THE RESOLUTION PLAN IN RESPECT OF BORROWERS UNDER SECTION 6.2

a) The Reserve Bank has accepted the below financial parameters prescribed by the Kamath Committee and has made it mandatory to follow these key ratios while finalizing the Resolution Plan of eligible borrowers:

Key Ratio	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 investments and loans in the group and outside entities
Total Debt/ EBIDTA	Addition of Short term and Long term debt divided by addition of Profit before tax, interest and finance charges along with depreciation and amortization.
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

b) 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 Plan assumptions with respect to an eligible borrower are given in Annexure I.

c) In respect of those sectors where the sector-specific thresholds have not been specified, the Bank shall make its own internal assessments regarding TOL/ATNW and Total Debt/EBITDA.

d) The current ratio and DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.

e) The 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 we are the Sole Bank with exposure to an eligible borrower.

f) 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 finalising the resolution plan, to assess the cashflows in subsequent years, while stipulating appropriate ratios in each case.

g) Given the differential impact of the pandemic on various sectors/entities, the Bank may, 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 Committee.

h) The Bank will try 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 has 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.

i) The compliance in regard to meeting the agreed ratios must 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 as per the Prudential Framework.

j) In respect of loans given to individuals for business purposes and loans given to others, wherein the borrower may not have a balance sheet and/or the above mentioned ratios cannot be determined, the bank may lay down other suitable parameters while finalizing a resolution plan

6.4 STIPULATIONS WITH REGARD TO INTER-CREDITOR AGREEMENT (ICA):

a) In case of consortium/multiple banking, Inter-Creditor Agreement (ICA) has to be signed by all lenders within 30 days from the date of invocation of resolution under this framework. Lending institutions representing 75% by value of the total outstanding credit facilities (fund based as well as non-fund based), and not less than 60% of lending institutions by number have to agree to invoke the resolution under this framework and have to sign the ICA, within time limit specified above. If not, the invocation will be treated as lapsed, and cannot be invoked again under this framework. The key features & stipulations of ICA are specified in the Bank's Resolution of Stressed Assets and Recovery Policy.

b) Lenders to the borrower which are other than the lending institutions as per this circular may also sign the ICA and be bound by the stipulations of ICA.
c) Any disputes between signatories to ICA shall be settled as per provisions of ICA which should cover such dispute redressal mechanism.
d) The ICA should provide for suitable information sharing mechanism among the lenders after implementation of resolution plan.
e) ICA with other lenders may be executed by authorized signatories of the Bank. Board has authorized Credit Committee Level-G to approve the Bank being part of ICA and to approve authorized signatories for ICA. Level-G is hereby authorized to delegate the authority to approve signing of ICA by the Bank.

6.5 COVERSION OF DEBT INTO SECURITIES:

- The resolution plan in the nature of restructuring plan may provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, provided the amortisation schedule and the coupon carried by such debt securities, post implementation of resolution plan, are similar to the terms of the debt held on the books of the Bank. The holding of such instruments by the Bank shall be subject to the extant instructions of RBI on investments as applicable to them.
- The valuation of securities shall be as specified by RBI in the COVID resolution framework circular dated 06.08.2020 or other relevant instructions issued from time to time.

6.6 WHEN IS IMPLEMENTATION DEEMED TO BE COMPLETED FOR EXPOSURES UNDER SEC 6.2:

Resolution plan has to be implemented within specified timeline as specified above. The resolution plan shall be deemed to be implemented, in respect of borrowers, other than individual borrowers, only if all of the following conditions are met:

- All related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented (applies in case of restructuring);
- The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions (applies in case of restructuring);
- The borrower is not in default with any of the lenders.

In respect of loans given to individuals for business purposes, the norms as applicable for personal loans would apply for considering whether the resolution plan is deemed to be implemented

7. ASSET CLASSIFICATION AND PROVISIONING:

Asset classification and provisioning shall be governed by extant RBI stipulations including the stipulations contained in its circular dated 6th August, 2020 on resolution framework for COVID related stress and circular dated 7th September, 2020 dealing with applicable financial parameters as per the Kamath Committee recommendations, as modified / clarified from time to time.

Some of the key stipulations of the aforesaid circular are summarized briefly below:

i. Borrowers who were standard at the time of resolution invocation will continue to be standard classified after implementation of resolution plan. Borrowers which slipped into NPA status between invocation of resolution and implementation of resolution plan may be upgraded to standard on implementation of the plan.
ii. Any interim finance granted pending implementation of the resolution plan may be classified as standard till implementation of the plan, regardless of actual performance in the interim.
iii. 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.
iv. If the resolution plan is not implemented as specified in this framework and within the timelines specified, 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 and the benefit of standard classification will not be available.
v. In respect of borrowers where resolution plan is implemented under this framework within specified timelines, the minimum provision to be maintained is higher of 10% of the total debt or provision held as per IRAC norms prior to implementation of resolution plan.
vi. In case of lenders which did not sign ICA within 30 days of invocation, or lenders who agreed for invocation but note signed ICA, a provision which is higher of 20% of debt or amount required by IRAC norms.
vii. Any additional provision maintained under the RBI Prudential framework (7th June 2019 circular) for resolution of stressed assets, due to delay in implementation of resolution plan, may be reversed if resolution plan under this COVID resolution framework is implemented within time frame stipulated. Additional time granted by RBI (vide circular dated 17th April 2020) for implementation of resolution plan due to COVID should be considered in ascertaining the delay period. Any additional provisions maintained under the said prudential framework, to the extent not reversed, may be used for meeting provision requirements under this COVID resolution framework.
viii. The provision as above may be reversed as follows – 50% may be reversed upon payment of 20% of the residual debt without slipping into NPA status post implementation of resolution plan; balance 50% may be reversed upon the borrower paying another 10% (cumulatively 30%) of the debt without slipping into NPA status. The reversal shall be subject to any required provision as per extant IRAC norms being maintained.

Post implementation performance & implications:

The asset classification and other implications post implementation of resolution plan are summarized briefly as follows:

(a) In case of personal loans for which resolution plan has been implemented, the subsequent asset classification will be governed by the extant IRAC norms. Borrower will become NPA if overdue arises beyond 90 days.

(b) In case of other exposures, the following stipulations will be applicable:

i. **'Monitoring period'** 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 (amount retained by the Bank), 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.
ii. Any default by borrower with the Bank or any of the signatories to ICA (in case of consortium / multiple banking) during the moratorium period shall trigger a review period of 30 days. Review period is specified in the Bank's Resolution of Stressed Assets and Recovery Policy – this is the 30 period by the end of which resolution plan has to be initiated if the borrower continues to be in default with the Bank or any other lender.
iii. If the borrower is in default with the Bank any signatories to ICA at the end of the review period, the asset classification shall be downgraded to NPA effective from the date of implementation of resolution plan. If the borrower was classified as NPA before implementation of the resolution plan, from such earlier date the NPA classification will become applicable. This downgrade will also apply to lenders who did not sign the ICA.
iv. Where downgraded as per (iii) above, any upgradation to standard classification shall be subject to implementation of a fresh restructuring under the RBI's Prudential Framework for Resolution of Stressed Assets and specified in the Bank's Resolution of Stressed Assets and Recovery Policy. That is satisfactory conduct has to be demonstrated during the moratorium period.
v. Upon completion of 'Monitoring period' without getting classified as NPA, the asset classification will be governed by the extant IRAC norms.
vi. The provisions maintained under this COVID resolution framework, to the extent not reversed as per the framework, will be available towards – any additional provisioning requirements arising under framework; or towards any additional provisioning required under the prudential framework due to delayed implementation of resolution plan.

8. DISCLOSURES AND REPORTING:

As specified by RBI, the Bank shall make the following disclosures in published quarterly financials:

On quarterly basis - Particulars as per Format-A specified in the RBI circular dated 6th August 2020 on COVID resolution framework for each of the quarters ended 31.03.2021, 30.06.2021, 30.09.2021. This covers the data on resolution plans implemented under this framework.

On half yearly basis – Further to Format-A as above, additional particulars as per Format-B specified in the RBI circular dated 6th August 2020 on COVID resolution framework shall be applicable. This shall be from the half-year ended 30.09.2021 onwards and till the relevant exposures (where the COVID resolution plan is implemented) are fully extinguished or slip into NPA status, whichever is earlier. This format covers the data on exposures under standard classification due to implementation of resolution plan under this framework, amount written-off in the period, amount repaid by borrowers, amount that slipped into NPA, etc.

Where the resolution plan involved restructuring, the 'restructured' status shall be reported to CRILC and credit information companies.

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ANNEXURE I

SECTOR-SPECIFIC THRESHOLDS OF KEY RATIOS:

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

Sectors	**TOL / ATNW**	**Total Debt/ EBITDA**	**Current Ratio**	**Average DSCR**	**DSCR**
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	

For industries not defined above, the thresholds on the ratios, would be approved by Level G

Notes:

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.

***** For automobile manufacturing, 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.

****** For aviation, 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.

@ In the case of Trading-Wholesale, 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.