

FREQUENTLY ASKED QUESTIONS (FAQ) :

Q 1 ; Who are all eligible for Resolution Framework

The borrower accounts which were classified as standard, but not in default for more than 30 days with any lending institution as on March 1, 2020 (called as reference date). Further, the accounts should continue to remain standard till the date of invocation.

Q2 : Whether restructuring of all Standard Accounts are to be considered

It shall be ensured that the resolution under this facility is extended only to borrowers having stress on account of COVID 19. Indicative list is furnished as under :

Indicative list of eligibility for covid-19 impact conditions

- May have availed moratorium under Covid scheme
- May have opted for additional facility under Covid scheme
- The sales for the Covid period (March-August) should have been affected and compared alongwith GST returns wherever applicable.
- Credit summation for the period should have been affected (which can be verified from the statement of accounts)
- Verification of industries that has been impacted from the information available from external sources viz Airlines, Hospitality, Tourism, Retail Malls, Real Estate, Transport, Leisure etc.
- Labour Shortage including migrant labour issues
- Demand, Production, Supply Chains adversely affected.
- Proof of having closed/ scaled down the operations
- Cancellation of export /domestic orders.
- Non realization of trade debtors (with confirmation from the major debtor along with amount for non payment / CA Certified)
- Non Payment to trade Creditors (with confirmation from the creditors along with amount for non receipt)
- Stock Audit to confirm the availability of stocks and delays in receipt / payment
- Devolvement of LC's due to non payment / extension in time
- Comparison of achievement based on provisional financials as on 31.3.2020 and 31.8.2020.
- Any other acceptable justification applicable to the unit.

The above list is indicative and not exhaustive.

The ultimate test would be in the given scenario, if the restructuring is permitted, then the liquidity, viability and solvency of the business shows discernible improvement

Q3: What is the invocation and timeline for the same

In case of Sole Banking:

Date on which the borrower and the bank have agreed to implement the resolution plan.

In case of Multiple Lending Institutions:

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, it will be treated as invoked.

The timeline for invocation is 31st December 2020. In order to process the application and get necessary approval from competent authorities.

Q4: What is the timeline for implementation

The package has to be implemented within 180 days from the date of invocation.

Q5: What is ICA and what are the time lines.

In case of Consortium or Multiple Banking arrangements, Inter Creditor Agreement (ICA) is required to be executed within 30 days from the date of invocation. Inter Creditor Agreement provides for finalisation and implementation of Resolution Plan (RP).

Q6 : What is Resolution Plan (RP)

Resolution Plan (RP) will involve any action/ plan/ reorganisation including but not limited to regularisation of the account by payment of all the overdues by the entity, sale of the exposures to other entities/ investors, change in ownership and restructuring. The RP may also include sanctioning of additional credit facilities to address the financial stress of the borrower on account of COVID 19 even if there is no renegotiation of existing debt. The RP is to be clearly documented by the lenders concerned.

Q7 : What is restructuring

Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. Restructuring may involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount / the amount of instalments / rate of interest; roll over of credit facilities; sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits; compromise settlements where time for payment of settlement amount exceeds three months.)

Q8 : What is permitted under resolution plan :

- The resolution plan may also include sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid-19 even if there is no renegotiation of existing debt.
- 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
- Funding of Interest / Converting overdue into WCTL may also form part of restructuring subject to vetting.
- Extension of DCCO and extension of repayment thereof consequent to the same (within permitted limit)
- Funding of receivables of more than 90 days restricting the repayment of the same within 2 years or based on the realizable period, whichever is less
- 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 and adopted by our Bank.

Q9: What is the rate of interest

The ROI under the RP will be decided by the sanctioning authority based on the merits of the proposals. However, the existing term loan rescheduled/ restructured shall carry the same rate of interest which was applicable as on 01.03.2020. Fresh Loans including FITL/WCTL shall carry interest based on rating. Concession is permitted upto 1 year MCLR or Repo Rate+ Prime Spread on a case to case basis.

Q 10 : What are processing charges

Processing charges as applicable for renewal/ restructuring of limits are applicable. Concession shall be considered on a case to case basis depending on merits.

Q11 : What are the documents to be submitted

Application for restructuring (furnished as Annexure) accompanied by audited/ provisional financial statements as on 31.3.2020, provisional financials as on 31.8.2020, monthwise sales/ purchase accompanied by GST returns, Board Resolution, CMA data, projected financials, cashflow, etc

Q12 Any financial benchmarks have been prescribed.

Sector specific financial ratios have been prescribed for 26 industries identified by Expert Committee appointed by RBI. For other industries Bank prescribed financial ratios shall apply.

Q13. Whether the application would be processed by Bank or any outside expert.

In case of exposure exceeding Rs.100 crore, Independent Credit evaluation by one of the credit rating agencies is must. The RP should have a minimum rating of RP 4. Resolution plan in respect of Exposure exceeding Rs.1500 crore would be vetted by Expert Committee appointed by RBI.