

Different Restructuring Frameworks for NBFCs

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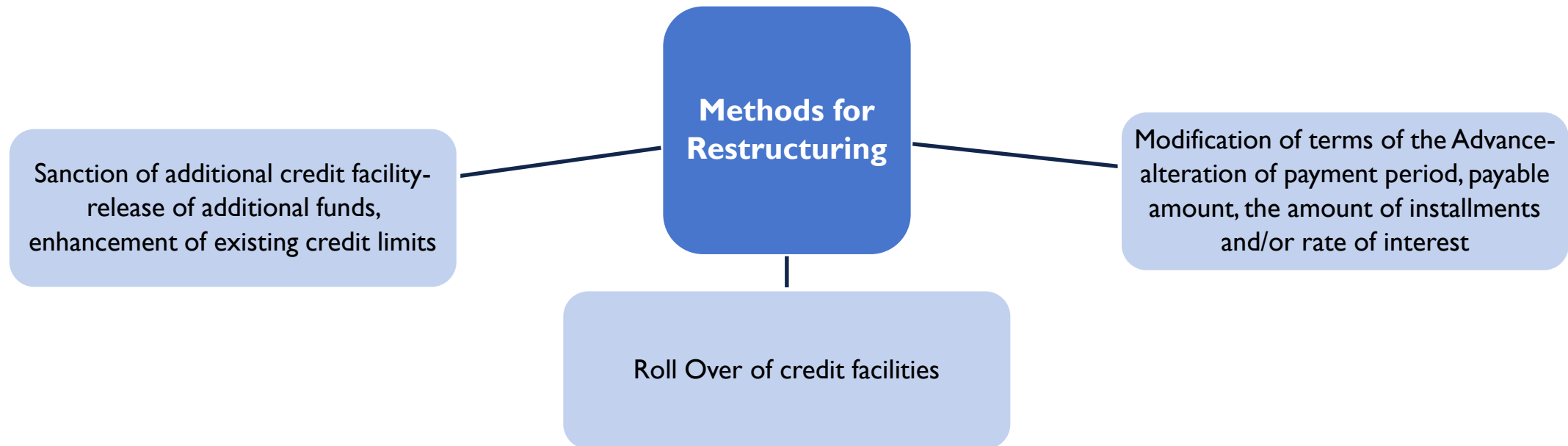
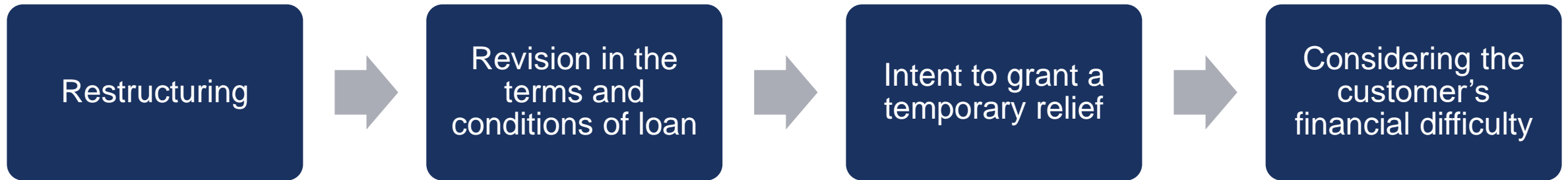
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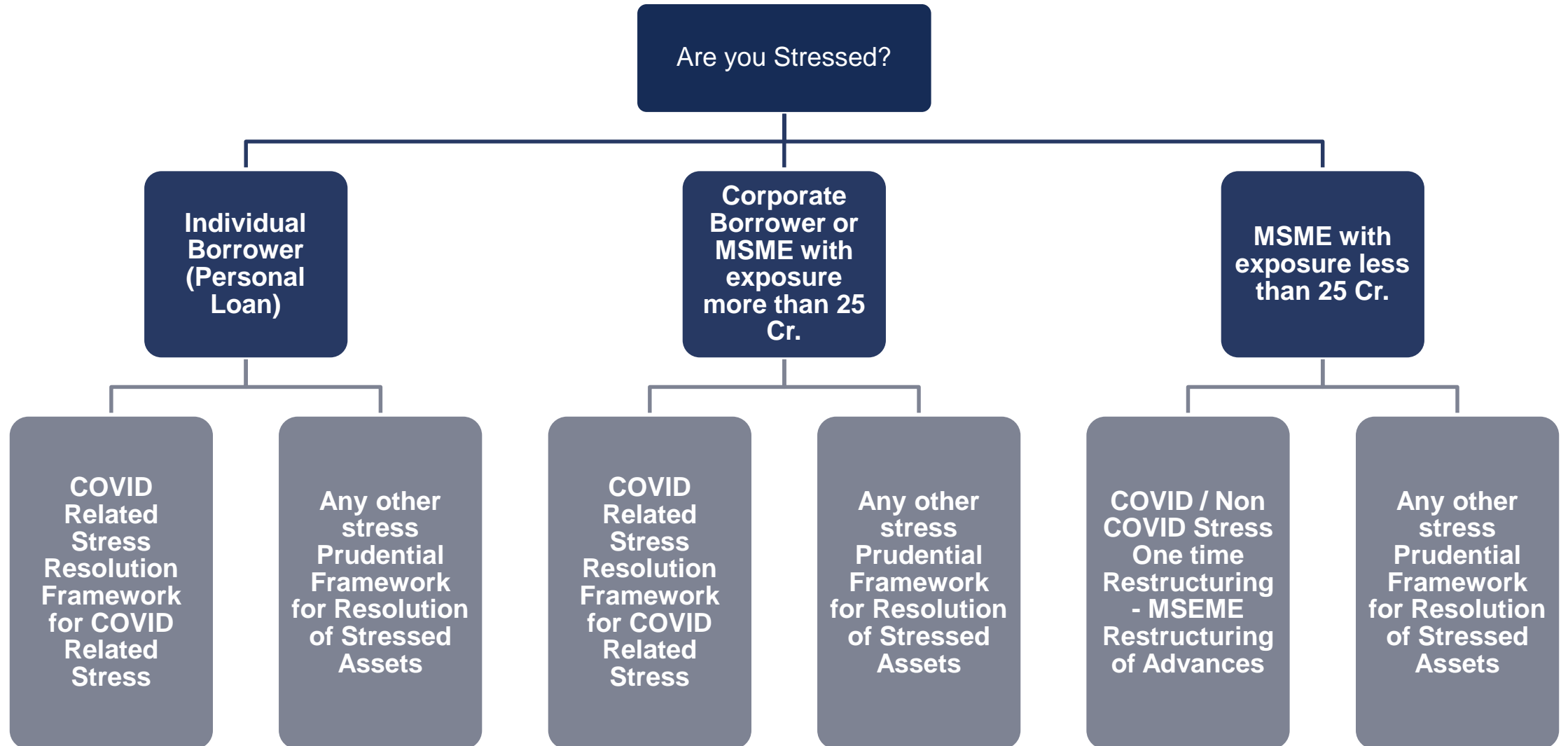
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Meaning of Restructuring of Loans



Applicability of Schemes



I. Prudential Framework for Resolution of Stressed Assets June 07, 2019 (“Prudential Framework”) ([Link](#))



I. Prudential Framework for Resolution of Stressed Assets

Eligibility

- Occurrence of default

Asset Classification

- In case of standard asset- Downgrade to NPA
- In case of NPA- remains as is

Account Upgrade

- On satisfactory performance or payment of 10% of outstanding principal debt

Provisioning

- As per IRAC norms

A time bound framework for early recognition, reporting and time bound resolution of stressed assets.

II. MSME Sector Restructuring of Advances (“One Time MSME Restructuring”)

[\(Link\)](#)



II. MSME Sector- Restructuring of Advances

✘ No more applicable

Feb 07, 2018
[Relief for MSME
registered under
GST]

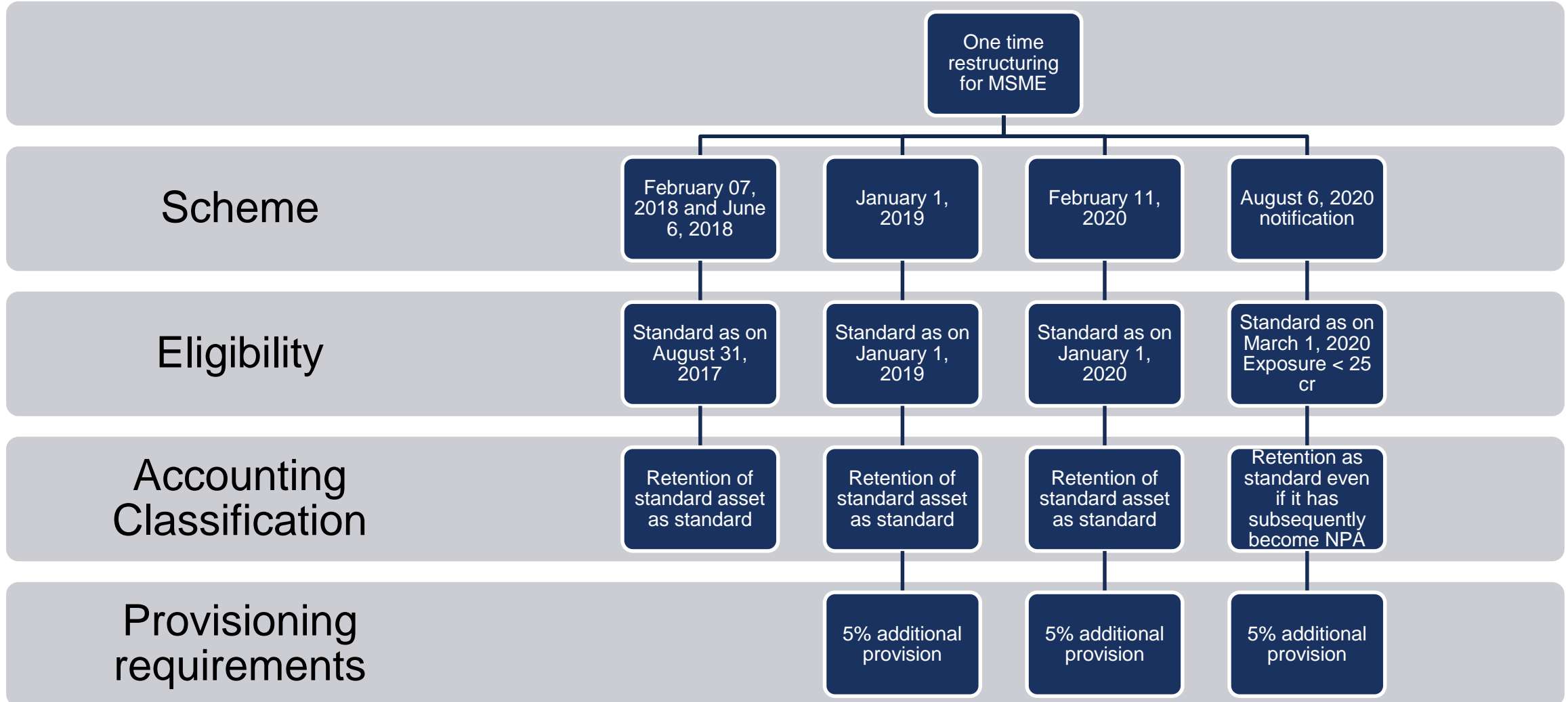
June 06, 2018
[Encouraging
formalisation of
MSME Sector]

Jan 01, 2019
[MSME Sector-
Restructuring of
Advances]

February 11, 2020
[Extension of Jan
2019]
Till December 31,
2020

August 06, 2020
[Extension of Jan
01, 2019 circular,
on fallout of
COVID]
Till March 31,
2021

II. MSME Sector- Restructuring of Advances



August 06, 2020 Circular

Eligibility

Fund based and Non fund based aggregate exposure less than Rs. 25 Cr as on March 01, 2020

Account standard as on March 01, 2020

Borrower must be an MSME under MSMED Act

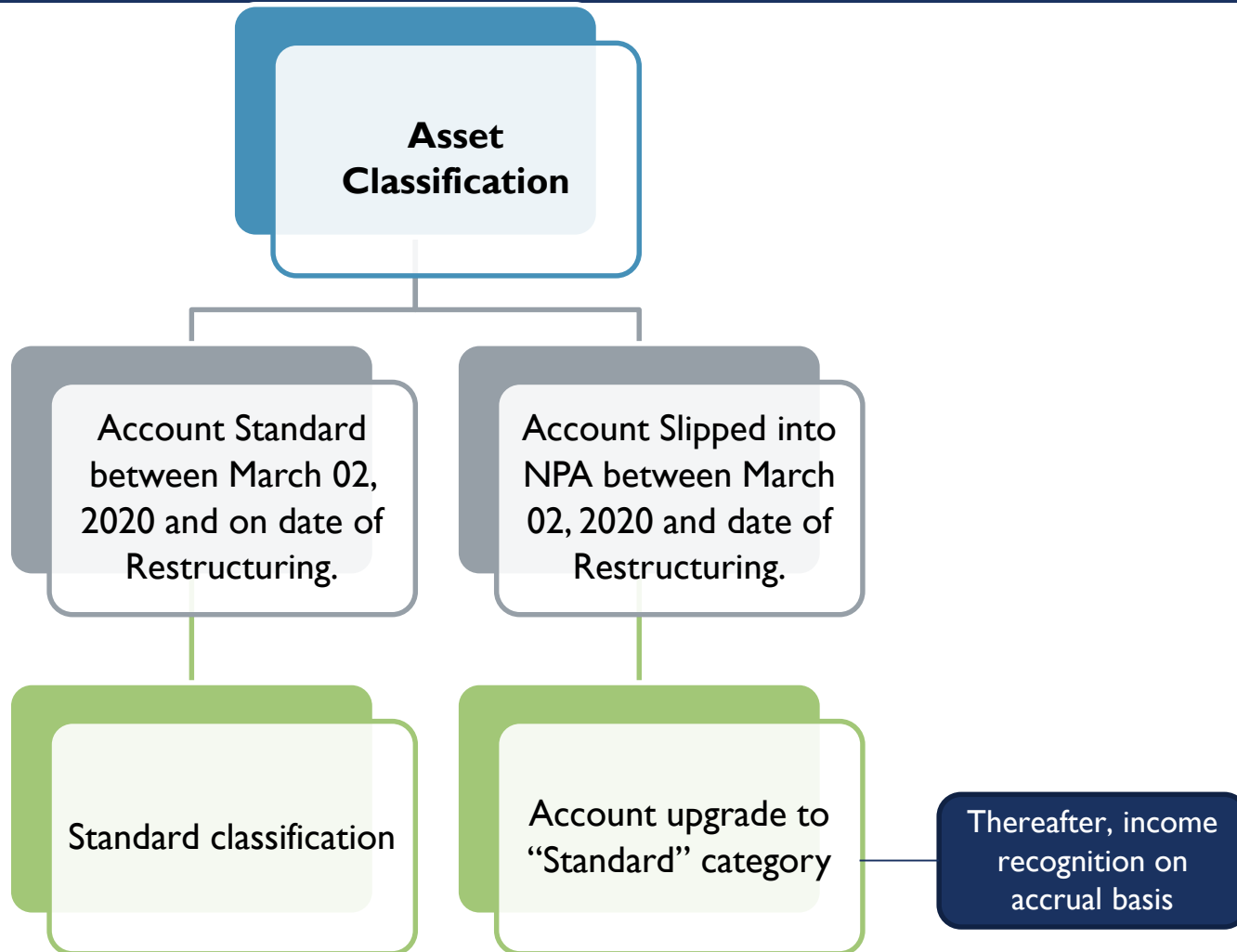
Eligible Lenders (MLI's)

All Scheduled Commercial Banks (SCBs)

NBFCs and Financial Institutions

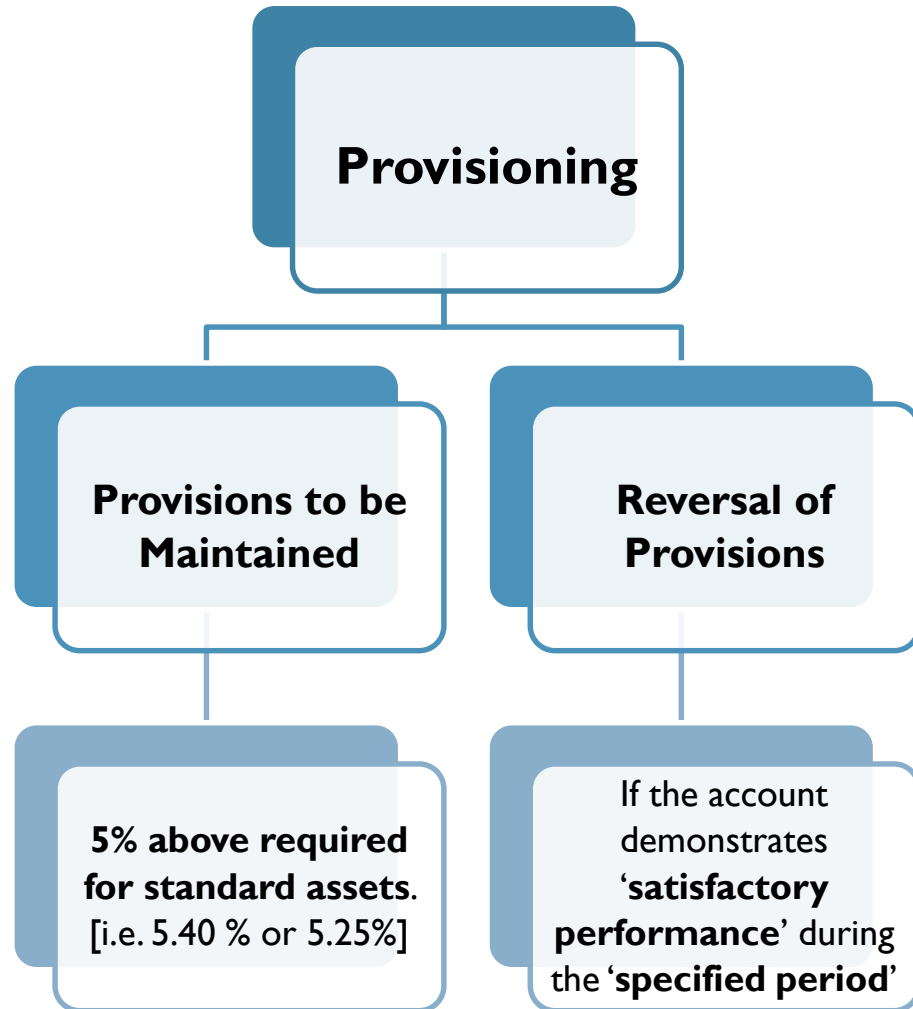
NBFCs which have been in operation for 2 years as on 29th February, 2020

II. MSME One Time Restructuring August 06, 2020 Circular



- Accounts already restructured under earlier notifications are not eligible.
- Post Restructuring, the NPA classification as per IRAC norms
- Accounts not eligible under this scheme can be restructured as under 'Prudential framework'

II. MSME One Time Restructuring August 06, 2020 Circular



Satisfactory Performance means-

No payment overdue:

- for a period of more than 30 days.
- CC/OD accounts, lower of sanctioned limit or drawing power, for a period of more than 30 days.

Specified Period means-

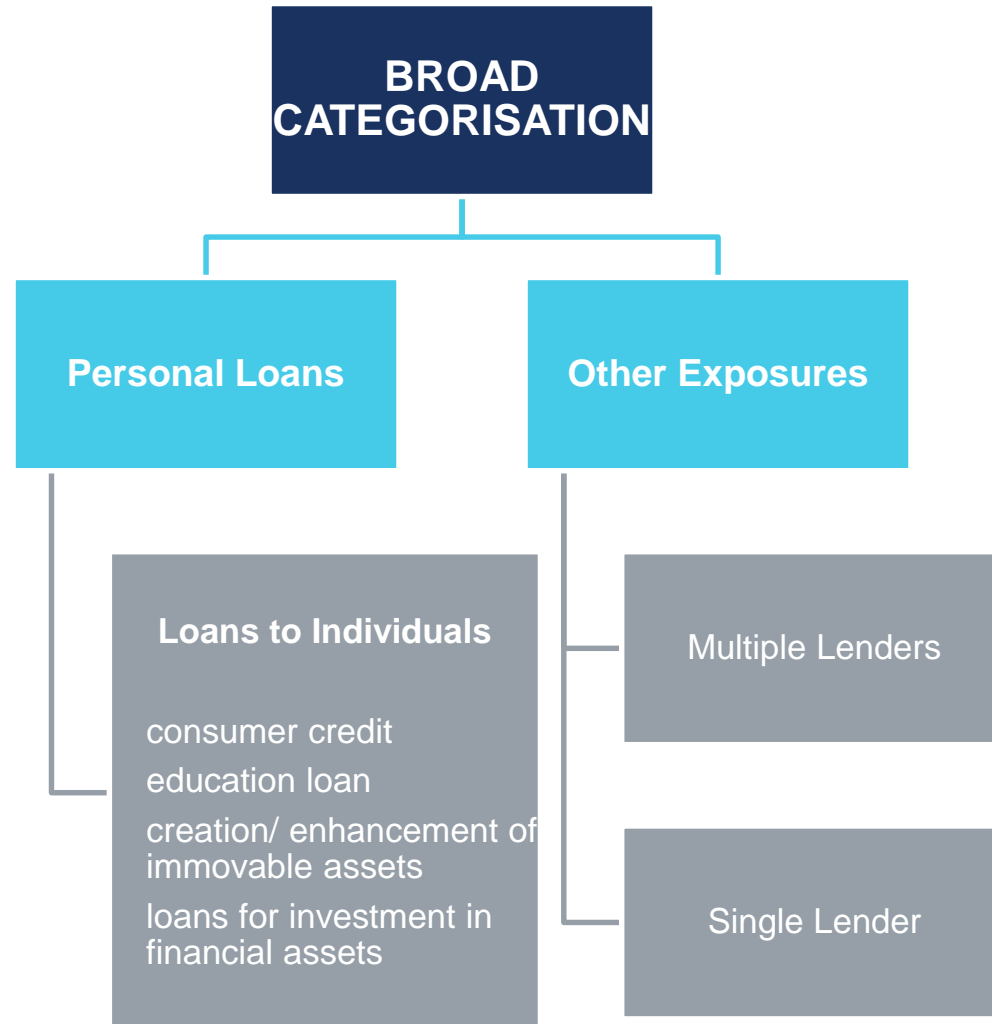
One year from commencement of first payment interest or principal (whichever is later) on credit facility with longest period of moratorium



III. Resolution Framework for COVID Related Stress (“ResFraCoS”)

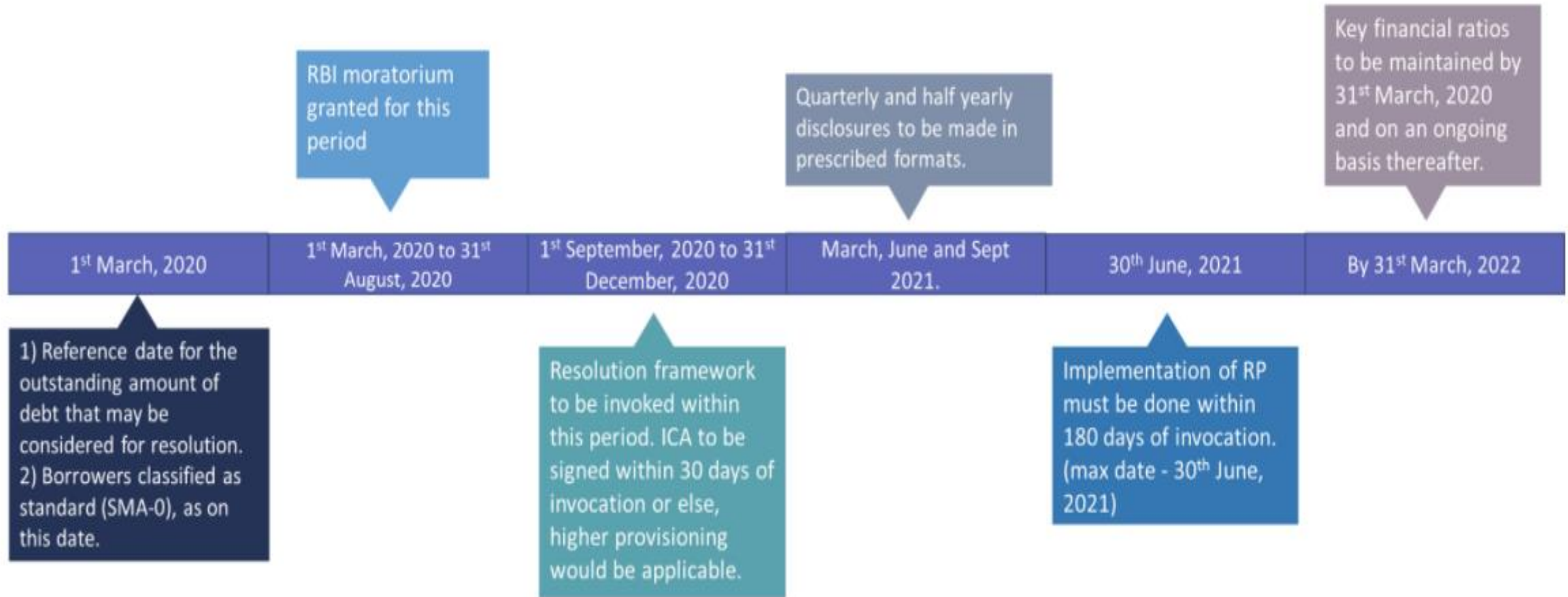


III. Eligibility Criteria (ResFraCoS)

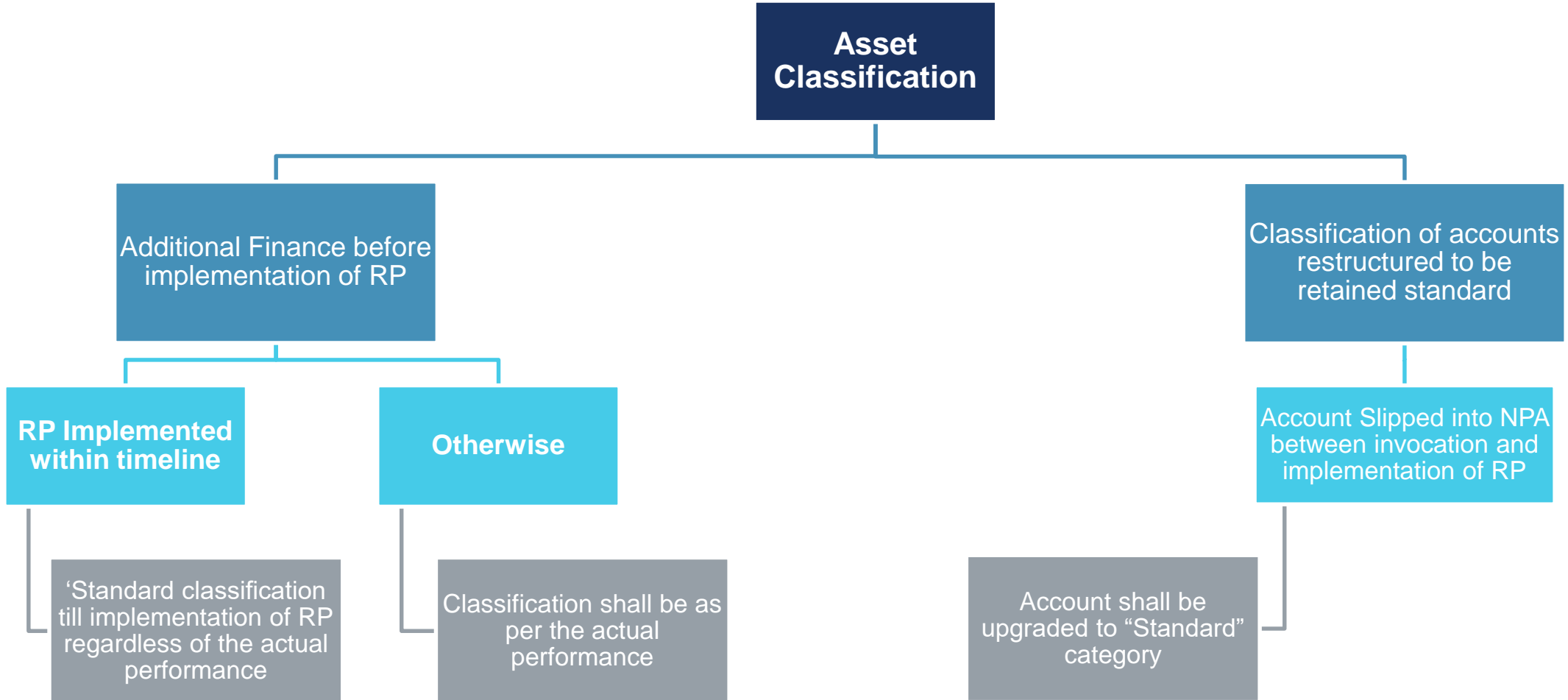


- ❑ Account ‘Standard’ (less than 30 DPD) as on March 01, 2020
- ❑ RP must be invoked not later than December 31, 2020
- ❑ RP to be implemented within 90 days for personal loans and 180 for other exposures from date of invocation

III. Timeline for Other Exposures (Under ResFraCoS)



III. Asset Classification (Under ResFraCoS)



III. Resolution Framework for Covid related Stress (ResFraCoS)

Provisioning

Personal Loan

Higher of:

- As per IRAC norms, OR
- 10 % of Renegotiated Debt Exposure (Residual Debt)

Other Exposures
Single Lender

OR

Other Exposures
Multiple Lenders

LI's Signing ICA

LI's Not Signing ICA

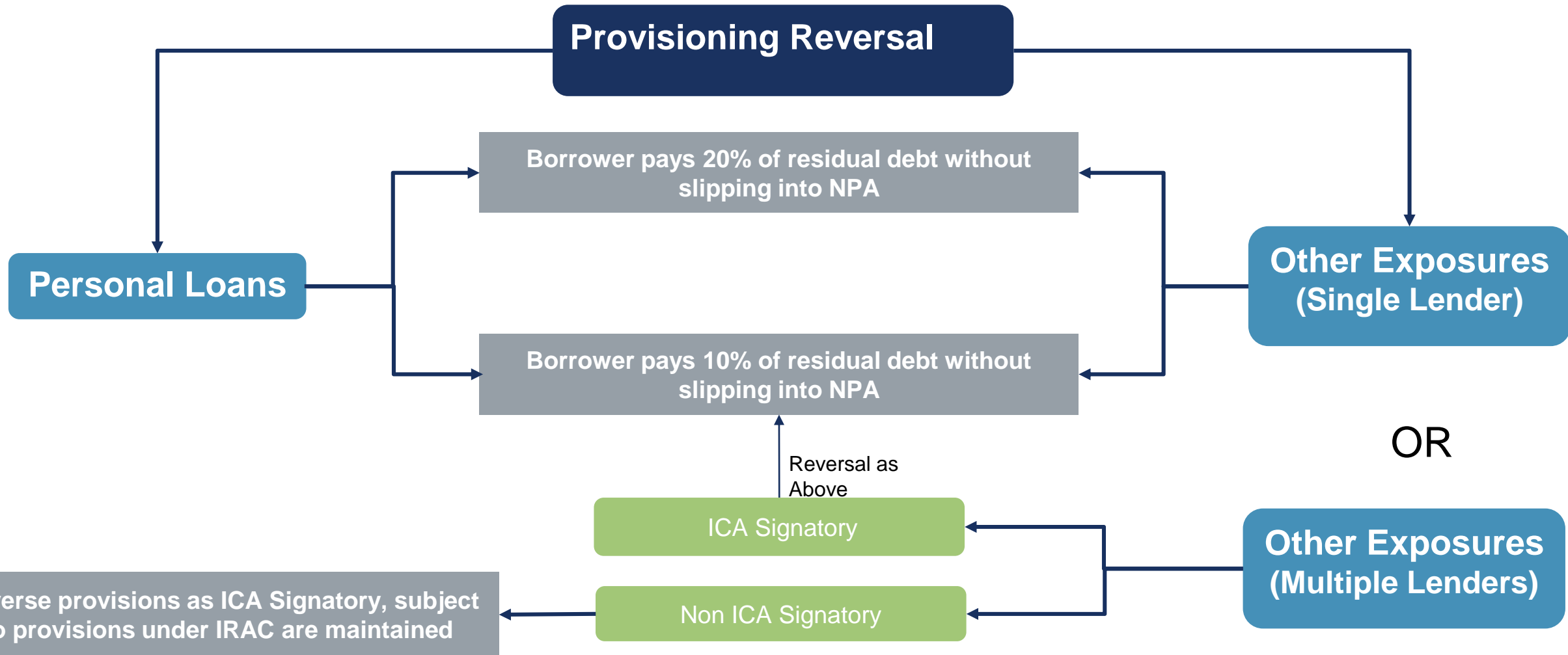
ICA Lapses

Higher of:

- 20% of Carrying Debt, OR
- As required under IRAC norms

LI agreed for Invocation, but did not sign
20% of Residual Debt

III. Resolution Framework for Covid related Stress (ResFraCoS)



Asset Classification (Summarised)

Asset classification immediately before restructuring	Asset classification after restructuring		
	FRESA (June 7, 2019 circular)	ResFraCoRS (August 6, 2020 circular)	One-time MSME Restructuring
Standard	Sub-standard	Standard	Standard
NPA	NPA	Upgraded to standard	Upgraded to standard
Additional Finance	Standard during monitoring period- if demonstrates satisfactory performance during the monitoring period*	<ul style="list-style-type: none"> If RP is implemented- Standard till implementation If RP is not implemented- As per IRAC norms based on actual performance with respect to such additional finance or the rest of the credit facilities, whichever is worse. 	Not specifically provided, however, should be in line with classification of restructured debt

**monitoring period- the period from the date of implementation of RP up to the date by which at least 10% of the sum of outstanding principal debt as per the RP and interest capitalisation sanctioned as part of the restructuring, if any, is repaid*

Provisioning (summarised)

Asset classification upon restructuring	FRESA (June 7, 2019 circular)	ResFraCoRS (August 6, 2020 circular)	One-time MSME Restructuring
Standard	0.25%/ 0.4%*	<ul style="list-style-type: none"> In respect of personal loans- higher of the provisions as per the IRAC norms immediately before implementation, or 10% of the residual debt. For other than personal loans- <ul style="list-style-type: none"> If ICA is signed within 30 days of invocation-higher of the provisions as per IRAC norms or 10% of the total debt, including the debt securities issued for restructuring the loan. If ICA is not signed within 30 days of invocation- provisions as per IRAC norms or 20% of debt in the books of the lender. 	5.25%/ 5.4%
NPA	10%	10%	-

- *0.25 for NBFC-NSI and 0.4 for NBFC-SIs
- **5.25 for NBFC-NSI and 5.4 for NBFC-SIs

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