BOARD NOTE

Dated: September 19, 2020

SUBJECT: Regulatory measures and reliefs announced by RBI in view of COVID 19 –Resolution Framework

BRIEF BACKGROUND:

RBI Governor's Bi-Monthly Monetary Policy Statement issued on March 27, 2020 had announced certain regulatory measures to mitigate the debt-servicing burden on borrowers in view of the disruptions brought out by Covid19 Pandemic. As a follow up RBI has also issued a circular DOR.No.BP.BC.47/21.04.048/2019-20, dated March 27, 2020, detailing the guidelines. RBI issued further guidelines vide their circular dated DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020. RBI vide its circular dated May 23, 2020 has permitted the NBFC to provide the moratorium for further three months from June 1, 2020 till August 31, 2020. Considering the significant stress caused by Covid19 pandemic and consequent economic impact across the board including cash flow generation ability being disproportionately low compared to debt burden for borrowers and entire recovery process is in danger of being impaired posing significant financial stability risk, RBI has rolled out the broad framework for Resolution of Covid19 related stress vide the circular dated BP.BC/3/21.04.048/2020-21 dated August 6, 2020.

It is pertinent to note that Government of India and RBI has announced several measures to kick start the economy since April 2020. The prominent measure includes Rs 20 lakhs crores package extended to various sections of the society announced by Government of India in first fortnight of May 2020. Central Govt and various state Governments have implemented several steps to manage the impact of pandemic. Economic activity has started once again and expected to accelerate further. These steps are expected to ease the economic hardship faced by various sections of the society. In view of the above, the following policy is outlined for providing relief to customers impacted by COVID 19 for resolution of stress towards payment of KMPL loan in line with the RBI circular dated Aug 6, 2020.

Resolution Framework provided by RBI as per circular dated Aug 6, 2020.

The Resolution framework deals primarily with Personal Loans and resolution of other exposures.

a) RBI has permitted the NBFC to provide resolution plan which will inter alia includes rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or granting of moratorium, based on income stream of borrower, subject to maximum of two years extended tenure. Correspondingly, the overall tenor of the loan may also get modified accordingly. The moratorium period, if granted, shall come into force immediately upon implementation of resolution plan.

b) The resolution plan shall be deemed to be implemented only if all of the following conditions are met :
   a. All related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lender concerned in consonance with resolution plan being implemented.
   b. The changes in the terms of conditions of loans gets duly reflected in the books of the lending institutions; and
   c. Borrower is not in default with the lending institutions as on date of invocation of agreement as per revised terms.

c) The lending institution shall frame board approved policies pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to borrowers having stress on account of Covid19. The board approved policy, shall, inter alia, detail the eligibility of borrowers in respect of whom the lending institutions may be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the lending institutions to establish the necessity of implementing a resolution plan in respect of the concerned borrowers.

d) The reference date for the outstanding amount of debt that may be considered for resolution shall be March 1, 2020.

The following exposure of KMPL are not eligible for resolution under this policy :

a) Credit facilities provided by the KMPL 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.
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 KMPL 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.

KMPL's policy for providing the said relief to borrowers (covered under Part A of the circular – Resolution of stress in personal loans)

This policy is applicable to --

1. Loans which qualify the criteria for personal loan as prescribed vide RBI circular DBR No. BP.BC. 99/08.13.100/2017-18 as amended from time to time, will only be considered for relief.
2. The loans where individual is borrower (does not include loans taken in prop concern) and loan availed on or before 29th Feb 2020.
3. The borrower should be individual other than employee of KMPL.
4. The borrower should be under Covid19 Stress.
5. The borrower should have KMPL Account classified as "Standard" but not in default for more than 30 days with KMPL as on March1, 2020.

Individual borrower who has taken loan for commercial usage of car will be covered under Part B.

The resolution plan may be extended only if the eligible borrower account at party level is classified as standard from 1st March 2020 till the date of invocation of resolution under this framework. The date of agreement execution as per this policy both by borrower and KMPL shall be taken as the date of invocation for this purpose. The resolution plan has to be invoked on or before December 31, 2020 and must be implemented within 90 days from date of invocation.

KMPL will consider Resolution plan for eligible borrowers, who wish to avail and make an application to KMPL for --

- Resolution plan for term loan instalments falling due from March 1, 2020 and not paid as on date of invocation and / or
- Resolution plan for contracted principle repayment due from March 1, 2020 and not paid as on date of invocation.

KMPL would examine all requests received in this regards by factoring customers past track record (Pre Covid19), sector, segment etc. to decide the impact of Covid on his / her current repayment capacity and future repayment capacity.

All customers, who wish to avail the Resolution framework for Covid 19 stress, including those who might have availed the moratorium relief earlier till 31st Aug 2020, will have to apply to KMPL for the Restructuring and provide the relevant details. KMPL would consider the customer's request as mentioned above and the customer would be duly intimated about the decision and the applicable terms and conditions. Any Dues already paid will not be refunded back.

The authority to grant the relief under this policy has been granted to the Managing Director or as delegated by him.

A. Resolution Plan:

Moratorium or restructuring shall be executed in such way that Total balance tenure from date of invocation is not increased by more than 24 months.

- The customers who are desirous of availing relief under Resolution Framework as per RBI circular must apply to KMPL with required details on or before 31st December 2020 through the modes intimated by KMPL to customer. KMPL shall evaluate the application as mentioned above.

- The repayment schedule shall get modified with respect to rate of interest, collateral and for the tenure as agreed by KMPL and customer but not exceeding 2 years over and above balance tenure as on date of invocation. Moratorium if any, will be implemented immediately from date of invocation.
- The moratorium will be applicable only for the principal due. Customer availing moratorium will have to continue to repay interest due during the moratorium period.
- KMPL would be presenting the post-dated cheques / actioning ECS, SI, NACH or E NACH mandates etc., provided by the borrowers, for collection as per the respective due dates basis the new repayment schedule agreed upon.

B. Due Diligence considerations:

KMPL Due diligence criterion for this purpose includes –

1. The account should be Standard at party level as on date of invocation of Resolution Plan.
2. The account should be standard and not be more than 30 days overdue at party level as of 1st March 2020.
3. The customer has capacity and willingness to pay as per resolution plan.
4. The borrower should not be under any legal recovery proceedings including IBC / NCLT / Sarfaesi filed on or before 31st March 2020.
5. The borrower should not have been classified as willful defaulter/ RFA/ Fraud classified by KMPL / other financial institutions including banks.

C. Legal & documentation matters:

- Loan specific conditions may be modified/ laid down by KMPL for the above relief.
- Concessions/reliefs granted under this policy is subject to requisite documentation to satisfaction of KMPL.

- All other terms and conditions under the Loan agreement, Facility Documents and various other documents that have been executed between customer and KMPL shall continue to be effective, binding and enforceable.

D. Asset Classification and Provisioning:

- In respect of personal loans where a resolution plan is implemented under this facility, KMPL shall keep provision from date of implementation, which are higher of the provision held as per the extant IRAC norms immediately before implementation or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt).
- Upon the implementation of resolution Plan implemented as per this policy, the asset classification of borrower accounts classified as standard may be retained as such upon implementation, whereas the borrower accounts' which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on date of implementation of plan. The reporting to credit information companies (CICs) and other statutory authorities shall be made in line with the same.
- In case of these loans, half of the provisions may be written back upon borrower paying at least 20 per cent of residual debt without slipping into NPA at party level at month end post implementation of plan and remaining half may be written back upon the borrower paying another 10 per cent of residual debt without slipping into NPA at party level at month end subsequently.
- After implementation of resolution plan, the subsequent asset classification will be governed by the criterion laid down under RBI master circular on Prudential norms on income Recognition, Asset Classification and

provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to KMPL.

E. Disclosure and Credit Reporting:

1. In line with RBI guideline, KMPL shall publish relevant information as provided in guidelines for quarter ending March 31, 2021, June 30, 2021 and September 30, 2021. Similarly KMPL shall publish relevant information as provided in guidelines for every half year, starting from September 30, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

2. The Credit Bureau reporting for borrower where the resolution plan is implemented under this facility shall reflect "Restructured" status of the account if the resolution plan involves renegotiations that would be classified as restructuring under Prudential Framework.

KMPL's policy for providing the said relief to borrowers (covered under Part B of the circular – Resolution of stress in 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 KMPL 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 KMPL 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 31^{st} December 2020 and must be implemented within a maximum of 180 days from the date of invocation.

c) **Reliefs available:** The Resolution Plan (RP) may involve any action / plan / reorganization.. 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 KMPL 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 specified by RBI vide its circular no BP.BC./13/21.04.048/2020-21 dated 7th Sept 2020 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.

   - 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 up to 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.
   - Basis the above parameters, KMPL will lay down eligibility parameters in their Operating guidelines to decide on the borrowers who would be eligible for restructuring.
   - KMPL will consider a resolution plan, depending on the profile of the customer
   - In case of sole lending 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 KMPL. As required by the RBI circular dated 6th August 2020, the decision to

undertake restructuring in such cases may be decided by the KMPL in conformity with the decision taken by the consortium/MBA, under the ICA framework, irrespective of whether the KMPL'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 September 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 KMPL shall duly apply these parameters in respect of all borrowers for whom a resolution plan is being implemented. These parameters are discussed in para 1.1.

- 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 KMPL may only consider such resolution plans which receive a credit rating of RP4 (moderate safety), or better credit rating for the residual debt (to be held by lenders.

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.

1.1 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 KMPL 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 KMPL 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 KMPL 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 the KMPL is sole lender.

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 finalizing the resolution plan, to assess the cash flows in subsequent years, while stipulating appropriate ratios in each case.

g) Given the differential impact of the pandemic on various sectors/entities, the KMPL 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.

h) The KMPL 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.

1.2 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.
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 KMPL (nominated by KMPL Board for this purpose).

1.3 CONVERSION 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 KMPL.
- . The holding of such instruments by the KMPL 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.

1.4 WHEN IS IMPLEMENTATION DEEMED TO BE COMPLETED FOR EXPOSURES UNDER Section 1 above:

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.

2. 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.

Key stipulations of the aforesaid circular are summarized 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, 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 KMPL 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 KMPL'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 KMPL or any other lender.

iii. If the borrower is in default with the KMPL or 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 KMPL'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.

3. DISCLOSURES AND REPORTING:

As specified by RBI, the KMPL 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

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

For industries/ sectors / professions not defined above, the thresholds on the ratios, would be approved by KMPL CC.

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.

While this policy outlines the broad internal guidance that KMPL will follow to take decisions regarding restructuring, KMPL retains the discretion to take decisions regarding this policy depending on case specific issues or nuances. KMPL reserves the right to amend the policy within the framework of RBI regulations.

F. Validity of the policy:

This policy shall be valid up to December 31, 2020 or as per time frame extended by RBI from time to time.