Aditya Birla Finance Limited (ABFL)

Resolution Framework for COVID related Stress

<u>Version:</u> ABFL/Resolution Framework COVID/100920/1.0

Objective & Scope

The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress could potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, RBI has decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions. However, lending institutions need to ensure that the resolution under this facility is extended only to borrowers having stress only on account of Covid19

RBI has mandated lending institutions including NBFC's to formulate a Board approved policy detailing the manner in which evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid19. Accordingly, the policy is formulated & placed before the Board for approval.

References of other applicable Circulars

1) **Circular 1-**The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 (DBR.No.BP.BC.45/21.04.048/2018-19) dated June 7, 2019 ("Prudential Framework"): This circular allowed bank to initiate a resolution framework for addressing borrower defaults under a normal scenario.
2) **Circular 2-** Circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019 on Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances (timeline extended by the circular dated August 06, 2020): This circular allowed Bank/NBFCs to permit one-time restructuring of existing MSME advances classified as 'standard' without a downgrade in the asset *classification.*
3) ***Circular 3-*** *'Personal loans', for the purpose of this circular 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".*

   (Personal loans refers to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.))
4) **Circular 4-** Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (DNBR. PD. 008/03.10.119/2016-17)

dated September 01, 2016 (updated as on 17th April 2020) This circular defines the prudential norms on Income Recognition, Asset Classification and Provisioning.

5) **Circular 5-** Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (DBR.No.BP.BC.2/21.04.048/2015-16) dated July 1, 2015- This circular is to be referred as & when reference is given by RBI for specific paragraphs.

6) **Circular 6 –** *Resolution Framework for COVID related Stress* circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 ("**Resolution Framework**") and DOR.No.BP.BC/13/21.04.048/2020-21 dated Sept 7, 2020

Eligibility & Exclusions Criteria

- Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this framework may continue to be considered for resolution under the Prudential Framework or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable
- Under the Prudential Framework only Banks can initiate the resolution plan, however under this circular the NBFC's are also included under the resolution plan. Consequently, all the norms applicable to implementation of a resolution plan, including the mandatory requirement of Inter-Creditor Agreements (ICA) and specific implementation conditions, as laid out in the Prudential Framework shall be applicable to all lending institutions for any resolution plan implemented under this facility.
- The following categories of borrowers / credit facilities shall not be eligible for a resolution plan under this framework:
  - MSME Borrowers MSME borrowers whose aggregate exposure to lending institutions collectively, is `25 crore or less as on March 1, 2020
  - Farm Credit
  - Loans to Primary Agricultural Credit Societies
  - Exposures to financial service providers
  - Exposures to Central and State Governments; Local Government bodies (eg. Municipal Corporations)
  - Credit facilities provided by ABFL to their own personnel/staff

- The reference date for the outstanding amount of debt that may be considered for resolution shall be March 1, 2020.
- The restructuring will be offered as per the sole discretion of ABFL assessment

Resolution of Stress in PERSONAL LOANS

I. Eligibility Norms

- Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, but not in default for more than 30 days with ABFL as on March 1, 2020
- The eligible borrowers' accounts should continue to be classified as Standard till the date of invocation of resolution under this framework. For this purpose, the date of invocation shall be the date on which both the borrower and ABFL have agreed to proceed with a resolution plan under this framework.
- Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation. However, ABFL should strive for early invocation
- The resolution plans can include rescheduling of 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, subject to a maximum of two years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.
- 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 lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
  - The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
  - borrower is not in default with the lending institution as per the revised terms.

II. Assessment Norms

- Bureau will be checked
- Cashflow/ Restructuring assessment will be done with the customer
- In cases of COVID impacted customer, a suitable resolution plan will be drafted and structured

III. Asset Classification & Provisioning

- Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as 'standard asset' till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities in the interim
- If a resolution plan is implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the plan

- In respect of personal loans where a resolution plan is implemented under this facility, the lending institutions shall keep provisions from the date of implementation, which are higher of the provisions 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).

IV. Reversal of Provisions

In case of personal loans resolved under this facility, half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently

V. Post Implementation Performance

For personal loans, after implementation of the resolution plan in terms of this facility, the subsequent asset classification will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 (Circular 5 mentioned in the list of applicable circulars)

The provisions required to be maintained under this window, to the extent not already reversed, shall be available for: (i) the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA;

Resolution of Stress in Other Loans

I. Eligibility Norms

a. This will be applicable to all **eligible** exposures that are not covered in Personal Loans. Borrowers belonging to any industry impacted by Covid lockdown due to reasons sighted as under, however not limited to non availability of Labour, Raw Material, Transportation, Logistics, slackness in demand, govt restrictions etc.

b. Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, but not in default for more than 30 days with ABFL as on March 1, 2020

c. The eligible borrowers' accounts should continue to be classified as Standard till the date of invocation of resolution under this framework.

d. In case where ABFL is the only lending Institution with exposure to the borrower, the decision regarding the request for resolution by the borrower will be taken by ABFL as per the Board approved policy of and within the contours of this framework. For this purpose, the date of invocation shall be the date on which both the borrower and ABFL have agreed to proceed with a resolution plan under this framework.

e. If there are multiple lending institutions 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.
f. Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 180 days from the date of invocation. However, ABFL should strive for early invocation
g. In all cases involving multiple lending institutions, where the resolution process is invoked and consequently a resolution plan has to be implemented, ICA shall be required to be signed by all lending institutions within 30 days from the date of invocation. In case ICA is not signed by quorum (as specified in point e) with 30 days from the date of Invocation , the invocation will lapse
h. All disputes, if any, between signatories to the ICA regarding the resolution process shall be settled as per the provisions of the ICA and the Reserve Bank will not intermediate any such disputes. Lending institutions shall ensure that the ICA contains such a dispute redressal mechanism that clearly lays down the recourse available to a signatory to the ICA who wants to raise a dispute
i. As the resolution process requirements and the prudential treatment subsequent to the implementation are applied collectively to all lenders, the ICA should provide for suitable mechanisms for information sharing amongst lending institutions during and after implementation of the resolution plan.
j. If any of the above timelines are 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 Prudential Framework, as if the resolution process was never invoked under this framework
k. Expert Committee recommendations are documented in the section below
l. The Expert Committee shall have the responsibility of vetting the resolution plans to be implemented under this window in respect of all accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is `1500 crore and above. The Committee shall check and verify that all the processes have been followed by the parties concerned as desired without interfering with the commercial judgments exercised by the lenders
m. The resolution 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 are similar to the terms of the debt held on the books of ABFL, post implementation of the resolution plan. The holding of such instruments by the ABFL shall be subject to the extant instructions on investments as applicable to them.
n. The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework : Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time),
o. Resolution plans in respect of accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is `100 crore and above, shall require an independent credit evaluation

(ICE) by any one credit rating agency (CRA) authorized by the Reserve Bank under the Prudential Framework. In case the lending institutions convert any portion of the debt into any other security, the same shall collectively be valued at Re.1.

p. The resolution plan shall further provide that in accounts involving consortium or multiple banking arrangements, post implementation of the plan, all receipts by the borrower, all repayments by the borrower to the lending institutions, as well as all additional disbursements, if any, to the borrower by the lending institutions as part of the resolution plan, shall be routed through an escrow account maintained with one of the lending institutions.

q. To ensure that the above operations are carried out smoothly, lending institutions shall enter into a formal agreement with the escrow manager detailing the duties and responsibilities of the escrow manager and the lending institutions, as well as the enforcement mechanism that will be contractually available to the escrow manager to ensure that lending institutions service their disbursement obligations on a timely basis

II. Assessment Norms

a. Standard Due diligence process as laid down in Credit policy to be followed along with assessment of the following:

	Year Reference
Audited Financials	FY19
Prov Financials	FY20
Projected Cash flow assessment on a conservative basis	Till the tenor of the loan to be redrawn in light of Covid impact

b. Classification of borrower accounts into Mild, Moderate and Severe and adoption of graded approach can be assessed by Risk Head (RH) and approved by Credit Committee (CC). Basis the severity of Covid impact RH and CC to decide the package and support required.

c. Financial parameters as defined and stipulated for specified sectors in Annex I- to be followed in line with Expert Committee recommendation. Need for tightening of covenants can be decided by credit committee basis RH recommendations. All ratios except TOL/ATNW would be tested from Fy22 onwards. TOL/ATNW to be tested at implementation stage and equity infusion plans to be suitably phased till Fy22.

d. For borrowers outside the defined sectors, Current Ratio & DSCR of 1x and Average DSCR of 1.2x to be maintained. Other financial parameters on industries not defined by the Expert Committee mentioned in the RBI circular, to be decided at the time of assessment on industry to industry basis for both TOL/ATNW and Total Debt/ EBIDTA .

III. Asset Classification & Provisioning

a. Additional finance to borrowers in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as 'standard asset' till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities in the interim

b. 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.
c. If a resolution plan is implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the plan
d. If ABFL has signed the ICA within 30 days of invocation, then it shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the total debt, including the debt securities issued in terms of clause 30, held by the ICA signatories post-implementation of the plan (residual debt).
e. However, lending institutions which did not sign the ICA within 30 days of invocation shall, immediately upon the expiry of 30 days, keep provisions of 20 per cent of the debt on their books as on this date (carrying debt), or the provisions required as per extant IRAC norms, whichever is higher. lending institutions which had earlier agreed for invocation but did not sign the ICA shall also be required to hold 20 percent provisions on their carrying debt

IV. Reversal of Provisions

a. Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently by the ICA signatories.
b. However, in respect of the non-ICA signatories while half of the provisions may be reversed upon repayment of 20 percent of the carrying debt, the other half may be reversed upon repayment of another 10 per cent of the carrying debt, subject to the required IRAC provisions being maintained.

V. Post Implementation Performance

a. Documentation to be completed for Implementation within 180 days from invocation. And only once document is executed, plan can be implemented. However, Credit Committee can give deferral for perfection of security as need be.

b. Any default by the borrower with any of the signatories to the ICA during the monitoring period shall trigger a Review Period of 30 days. *Monitoring period, for this purpose, 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*

c. If the borrower is in default with any of the signatories to the ICA at the end of the Review Period, the asset classification of the borrower with all lending institutions, including those who did not sign the ICA, shall be downgraded to NPA from the date of implementation of the resolution plan or the date from which the borrower had been classified as NPA before implementation of the plan, whichever is earlier

d. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for: (i) the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA; as well as, (ii) the additional provisioning requirements on account of Paragraph 17 of the Prudential Framework, as and when the Prudential Framework becomes applicable in respect of the particular account.

e. Post Disbursement Monitoring:

- Monitoring of Escrow account, if stipulated
- Monitoring of stipulated financial covenants
- Account conduct and asset classification with other lenders
- Any other conditions as stipulated by credit committee

Expert / Kamath Committee Framework

All lending institutions shall mandatorily consider the following key ratios while finalizing the resolution plans in respect of eligible borrowers under the Resolution Framework:

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 the investments and loans in the group and outside entities.
Total Debt / EBITDA	Addition of short term and long-term debt divided by addition of profit before tax, interest and finance charges along with depreciation and amortisation.
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.

4. 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 lending institutions in the resolution assumptions with respect to an eligible borrower are given in the Annex. In respect of those sectors where the sector-specific thresholds have not been specified, lending institutions shall make their own internal assessments regarding TOL/ATNW and Total Debt/EBITDA. However, the current ratio and DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.

5. Lending institutions are 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 there is only one lending institution with exposure to an eligible borrower.

6. The ratios prescribed in paragraph 4 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.

7. Given the differential impact of the pandemic on various sectors/entities, the lending institutions may, at their 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.

8. Lending institutions are expected 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 have 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.

9. 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.

Other Clarifications - Applicability of ICA and Escrow account

10. The various requirements of the Resolution Framework, especially the mandatory requirement of ICA, wherever applicable, and maintenance of an escrow account after implementation of a resolution plan, shall be applicable at the borrower-account level, i.e. the legal entities to which the lending institutions have exposure to, which could include a special purpose vehicle having a legal-entity status, set up for a project.

11. It is further clarified that signing of ICA is a mandatory requirement for all lending institutions in all cases involving multiple lending institutions, where the resolution process is invoked, and the requirement of additional provisions if the ICA is not signed within 30 days of invocation does not substitute for the mandatory nature of ICA. Compliance with this regulatory requirement shall be assessed for all lending institutions as part of the supervisory review.

Resolution of Stress in MSME Loans

In reference to the circular DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020, and earlier circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 on the subject.

Our internal Policy “ABFL/Restructuring of MSME Loans/220119/1.0” was formulated and approved by the board

Policy is applicable to the following borrowers:

i. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on March 1, 2020.
ii. The borrower's account was a 'standard asset' as on March 1, 2020.
iii. The restructuring of the borrower account is implemented by March 31, 2021.
iv. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
v. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.
vi. As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.

Following changes are proposed to the MSME loan policy for loans that are less than INR 5 lakhs, wherein the customer does not have complete set of financials to carry out a detailed financial analysis.

Existing Parameters	**Proposed Parameter for loans <5 lakhs**
Appraisal note needs to be prepared for the case specified under this policy. Viability of the Account shall be determined by the respective committee (at least ZCC & above).	To be approved by Credit Personnel with the requisite credit Authority
Complete cash flow analysis (viability) financial analysis to be presented for the captioned customer.	Cashflow discussion to be done with the customer with or without detailed financial analysis
List of Documents Detailed Financials / Bank statements etc	List of Documents Basis the MSME Restructuring circular and borrower profile

Disclosures

a. ABFL will publish quarterly statements, at the minimum, make disclosures as per the format prescribed in their financial statements for the quarters ending March 31, 2021, June 30, 2021 and September 30, 2021
b. ABFL shall also make disclosures in the format prescribed, every half-year, i.e., in the financial statements as on September 30 and March 31, starting from the half-year ending September 30, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier
c. The credit reporting by the ABFL in respect of borrowers where the resolution plan is implemented under this facility shall reflect the 14 "restructured" status of the account if the resolution plan involves renegotiations that would be classified as restructuring under the Prudential Framework. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

Omnibus Clause

In case of any further clarifications issued by RBI on the subject from time to time, that shall override / amend this policy as applicable.

Any further changes to this policy can be done with approval from MD and CEO ABFL, CRO. Any significant changes will be informed to the Board.

Annexures

Annexure 1 - Sector-specific thresholds (ceilings or floors, as applicable) of key ratios for 26 sectors

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
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 / ATNW, 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 average DSCR may not be relevant for the sector.