भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2015-16/408
DNBR.CC.PD.No.081/03.10.01/2015-16 **May 26, 2016**

To
All Non-Banking Financial Companies (NBFCs)

Madam/ Sir,

Review of Framework for Revitalising Distressed Assets in the Economy and Strategic Debt Restructuring Mechanism

The Reserve Bank of India (the Bank) has issued various guidelines aimed at revitalising the stressed assets in the economy. The measures taken by the Bank include Strategic Debt Restructuring Mechanism, Framework to Revitalise the Distressed Assets in the Economy and Revisions to the Guidelines on Restructuring of Advances by Banks. To the extent applicable, the said Framework was made applicable to NBFCs vide circulars dated March 21, 2014, July 23, 2015 and October 29, 2015.

2. The Department of Banking Regulation of the Bank has made certain modifications to the Framework vide circular DBR.BP.BC.No.82/21.04.132/2015-16 dated February 25, 2016. It has been decided that the modifications made in the Framework vide the above mentioned circular shall also be, mutatis mutandis, made applicable to NBFCs.

3. Notification No.DNBR. 041/CGM(CDS)-2016 dated May 26, 2016 amending the Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015; Notification No.DNBR.042/CGM(CDS)-2016 dated May 26, 2016 amending the Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015; and Notification No.DNBR.043/CGM(CDS)-2016 dated May 26, 2016 amending the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are enclosed.

Yours faithfully

(C.D.Srinivasan)
Chief General Manager

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING REGULATION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI 400 005

Notification No.DNBR 041/CGM (CDS)-2016 dated May 26, 2016

The Reserve Bank of India (the Bank), having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015, issued vide Notification No. DNBR. 009 CGM (CDS) – 2015 dated March 27, 2015 (the Directions), as amended up to April 07, 2016, in exercise of the powers conferred by section 45JA of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows –

1. Paragraph 7 of Annex III to the Directions shall be deleted.

2. In paragraph 8 of Annex III to the Directions, after Miscellaneous and before sub paragraph 8.1 the following shall be inserted;

Following general conditions would be applicable in all cases of restructuring:

3. In paragraph 8 of Annex III to the Directions, the following paragraphs shall be inserted after sub paragraph 8.4.

8.5 All restructuring packages will be required to be implemented in a time bound manner. All restructuring packages under CDR/ JLF/ Consortium/ MBA arrangement should be implemented within 90 days from the date of approval. Other restructuring packages should be implemented within 120 days from the date of receipt of application by the NBFC.

8.6 Promoters must bring additional funds in all cases of restructuring. Additional funds brought by promoters should be a minimum of 20 per cent of NBFCs' sacrifice or 2 per cent of the restructured debt, whichever is higher. The promoters' contribution should invariably be brought upfront while extending the restructuring benefits to the borrowers. Promoter's contribution need not necessarily be brought in cash and can be brought in the form of conversion of unsecured loan from the promoters into equity;

8.7 NBFCs should determine a reasonable time period during which the account is likely to become viable, based on the cash flow and the Techno Economic Viability (TEV) study;

8.8 NBFCs should be satisfied that the post restructuring repayment period is reasonable, and commensurate with the estimated cash flows and required DSCR in the account as per their own Board approved policy.

8.9 Each NBFC should clearly document its own due diligence done in assessing the TEV and the viability of the assumptions underlying the restructured repayment terms.

4. After sub clause 5.1.3 of clause 5.1 of paragraph 5 of Appendix 3 of Annex III to the Directions, the following shall be inserted.

With a view to preserve the economic value of viable accounts, it has been decided that in 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, NBFCs and JLF 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. Further, such accounts may also be eligible for asset classification benefits available on refinancing after change in ownership, if such change in ownership is carried out under guidelines contained in circular DBR.BP.BC.No.41/21.04.048/2015-16 dated September 24, 2015 on "Prudential Norms on Change in Ownership of Borrowing Entities (Outside Strategic Debt Restructuring Scheme)". Each NBFC may formulate its policy and requirements as approved by the Board, on restructuring of such assets.

(C.D.Srinivasan)
Chief General Manager

RESERVE BANK OF INDIA
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Notification No.DNBR 042/CGM (CDS)-2016 dated May 26, 2016

The Reserve Bank of India (the Bank), having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 issued vide Notification No. DNBR. 008 CGM(CDS) – 2015 dated March 27, 2015, as amended upto March 10, 2016 (the Directions), in exercise of the powers conferred by section 45JA of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows –

1. Paragraph 7 of Annex III to the Directions shall be deleted.

2. In Paragraph 8 of Annex III to the Directions, after Miscellaneous and before sub paragraph 8.1, the following shall be inserted;
Following general conditions would be applicable in all cases of restructuring:

3. In paragraph 8 of Annex III to the Directions, the following paragraphs shall be inserted after sub paragraph 8.4
8.5 All restructuring packages will be required to be implemented in a time bound manner. All restructuring packages under CDR/ JLF/ Consortium/ MBA arrangement should be implemented within 90 days from the date of approval. Other restructuring packages should be implemented within 120 days from the date of receipt of application by the NBFC.

8.6 Promoters must bring additional funds in all cases of restructuring. Additional funds brought by promoters should be a minimum of 20 per cent of NBFCs' sacrifice or 2 per cent of the restructured debt, whichever is higher. The promoters' contribution should invariably be brought upfront while extending the restructuring benefits to the borrowers. Promoter's contribution need not necessarily be brought in cash and can be brought in the form of conversion of unsecured loan from the promoters into equity;

8.7 NBFCs should determine a reasonable time period during which the account is likely to become viable, based on the cash flow and the Techno Economic Viability (TEV) study;

8.8 NBFCs should be satisfied that the post restructuring repayment period is reasonable, and commensurate with the estimated cash flows and required DSCR in the account as per their own Board approved policy.

8.9 Each NBFC should clearly document its own due diligence done in assessing the TEV and the viability of the assumptions underlying the restructured repayment terms.

4. After sub clause 5.1.3 of clause 5.1 of paragraph 5 of Appendix 3 of Annex III to the Directions, the following shall be inserted

With a view to preserve the economic value of viable accounts, it has been decided that in 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, NBFCs and JLF 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. Further, such accounts may also be eligible for asset classification benefits available on refinancing after change in ownership, if such change in ownership is carried out under guidelines contained in circular DBR.BP.BC.No.41/21.04.048/2015-16 dated September 24, 2015 on “Prudential Norms on Change in Ownership of Borrowing Entities (Outside Strategic Debt Restructuring Scheme)”. Each NBFC may formulate its policy and requirements as approved by the Board, on restructuring of such assets.

(C.D.Srinivasan)
Chief General Manager

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DEPARTMENT OF NON-BANKING REGULATION
CENTRAL OFFICE, CENTRE I, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI 400 005.

Notification No. DNBR 043/CGM (CDS) -2016 dated May 26, 2016

The Reserve Bank of India (the Bank), having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 issued vide Notification No.DNBS.192/DG(VL)-2007 dated February 22, 2007, as amended upto March 10, 2016 (the Directions), in exercise of the powers conferred by section 45JA of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows –

1. Paragraph 7 of Annex A to the Directions shall be deleted.

2. In paragraph 8 of Annex A to the Directions, after Miscellaneous and before sub paragraph 8.1, the following shall be inserted;

Following general conditions would be applicable in all cases of restructuring:

3. In paragraph 8 of Annex A to the Directions, the following paragraphs shall be inserted after sub paragraph 8.4

8.5 All restructuring packages will be required to be implemented in a time bound manner. All restructuring packages under CDR/ JLF/ Consortium/ MBA arrangement should be implemented within 90 days from the date of approval. Other restructuring packages should be implemented within 120 days from the date of receipt of application by the NBFC.

8.6 Promoters must bring additional funds in all cases of restructuring. Additional funds brought by promoters should be a minimum of 20 per cent of NBFCs' sacrifice or 2 per cent of the restructured debt, whichever is higher. The promoters' contribution should invariably be brought upfront while extending the restructuring benefits to the borrowers. Promoter's contribution need not necessarily be brought in cash and can be brought in the form of conversion of unsecured loan from the promoters into equity;

8.7 NBFCs should determine a reasonable time period during which the account is likely to become viable, based on the cash flow and the Techno Economic Viability (TEV) study;

8.8 NBFCs should be satisfied that the post restructuring repayment period is reasonable, and commensurate with the estimated cash flows and required DSCR in the account as per their own Board approved policy.

8.9 Each NBFC should clearly document its own due diligence done in assessing the TEV and the viability of the assumptions underlying the restructured repayment terms.

4. After sub clause 5.1.3 of clause 5.1 of paragraph 5 of Appendix 3 of Annex A to the Directions, the following shall be inserted

With a view to preserve the economic value of viable accounts, it has been decided that in 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, NBFCs and JLF 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. Further, such accounts may also be eligible for asset classification benefits available on refinancing after change in ownership, if such change in ownership is carried out under guidelines contained in circular DBR.BP.BC.No.41/21.04.048/2015-16 dated September 24, 2015 on “Prudential Norms on Change in Ownership of Borrowing Entities (Outside Strategic Debt Restructuring Scheme)”. Each NBFC may formulate its policy and requirements as approved by the Board, on restructuring of such assets.

(C.D.Srinivasan)
Chief General Manager