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RESERVE BANK OF INDIA
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RBI/2014-15/413
DNBR.PD.CC.No.012/03.10.001/2014-15 **January 19, 2015**

All NBFCs

Dear Sirs,

Flexible Structuring of Long Term Project Loans to
Infrastructure and Core Industries

Based on the announcement made in the Union Budget 2013-14, Reserve Bank issued guidelines to banks for flexible structuring and refinancing of fresh term loans to long term project loans to infrastructure and core industries vide circulars DBOD.No.BP.BC.24/ 21.04.132/2014-15 dated July 15, 2014 and DBR.No.BP.BC.53/21.04.132/2014-15 dated December 15, 2014.

2. NBFCs also are engaged in financing of long term project loans to infrastructure and core industries. While Reserve Bank's extant instructions do not come in the way of NBFCs structuring long term project financing products, requests have been made by the industry, for extending the above guidelines to them. Accordingly, it has been decided to issue necessary directions to NBFCs.

3. The directions contained in the notifications of date amending the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 are enclosed for meticulous compliance.

Yours faithfully,

(A. Mangalagiri)
General Manager-in-Charge

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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 (PD) 003/GM(AM)/2015 dated January 19, 2015

The Reserve Bank of India, 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, to amend the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (hereinafter referred to as 'the Directions'), (Notification No.DNBS.192/DG(VL)-2007 dated February 22, 2007), in exercise of the powers conferred by sections 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby makes the following amendments in the Directions with immediate effect namely : –

1. Insertion of new paragraph 23B- After paragraph 23A, the following paragraph shall be inserted:-

"Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries-

23B. Norms for Flexible Structuring of Long Term project loans to Infrastructure and Core Industries by NBFCs shall be on the lines of the norms specified by the Reserve Bank of India for banks as modified and set forth in Annex-B."

(A. Mangalagiri)
General Manager in Charge

Annex-B

Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries

1. The long tenor loans to infrastructure / core industries projects, say 25 years, could be structured as under:

i. The fundamental viability of the project would be established on the basis of all requisite financial and non-financial parameters, especially the acceptable level of interest coverage ratio (EBIDTA / Interest payout), indicating capacity to service the loan and ability to repay over the tenor of the loan;

ii. Allowing longer tenor amortisation of the loan (Amortisation Schedule), say 25 years (within the useful life / concession period of the project) with periodic refinancing (Refinancing Debt Facility) of balance debt, the tenor of which could be fixed at the time of each refinancing, within the overall amortisation period;

iii. This would mean that the NBFC, while assessing the viability of the project, would be allowed to accept the project as a viable project where the average debt service coverage ratio (DSCR) and other financial and non-financial parameters are acceptable over a longer amortisation period of say 25 years (Amortisation Schedule), but provide funding (Initial Debt Facility) for only, say, 5 years with refinancing of balance debt being allowed by existing or new lenders (Refinancing Debt Facility) or even through bonds; and

iv. The refinancing (Refinancing Debt Facility) after each of these 5 years would be of the reduced amounts determined as per the Original Amortisation Schedule.

2. NBFCs may finance fresh long term projects in infrastructure and core industries as suggested in paragraph 1 above provided that:

i. Only term loans to infrastructure projects, as defined under the Harmonised Master List of Infrastructure of RBI, and projects in core industries sector, included in the Index of Eight Core Industries (base: 2004-05) published by the Ministry of Commerce and Industry, Government of India, (viz., coal, crude oil, natural gas, petroleum refinery products, fertilisers, steel (Alloy + Non Alloy), cement and electricity - some of these sectors such as fertilisers, electricity generation, distribution and transmission, etc. are also included in the Harmonised Master List of Infrastructure sub-sectors) - will qualify for such refinancing;

ii. At the time of initial appraisal of such projects, NBFCs may fix an amortisation schedule (Original Amortisation Schedule) while ensuring that the cash flows from such projects and all necessary financial and non-financial parameters are robust even under stress scenarios;

iii. The tenor of the Amortisation Schedule should not be more than 80% (leaving a tail of 20%) of the initial concession period in case of infrastructure projects under public private partnership (PPP) model; or 80% of the initial economic life envisaged at the time of project appraisal for determining the user charges / tariff in case of non-PPP infrastructure projects; or 80% of the initial economic life envisaged at the time of project appraisal by Lenders Independent Engineer in the case of other core industries projects;

iv. The NBFC offering the Initial Debt Facility may sanction the loan for a medium term, say 5 to 7 years. This is to take care of initial construction period and also cover the period at least up to the date of commencement of commercial operations (DCCO) and revenue ramp up. The repayment(s) at the end of this period (equal in present value to the remaining residual payments corresponding to the Original Amortisation Schedule) could be structured as a bullet repayment, with the intent specified up front that it will be refinanced. That repayment may be taken up by the same lender or a set of new lenders, or combination of both, or by issue of corporate bond, as Refinancing Debt Facility, and such refinancing may repeat till the end of the Amortisation Schedule;

v. The repayment schedules of Initial Debt Facility should normally correspond to the Original Amortisation Schedule, unless there is an extension of DCCO. In that case, in terms of extant instructions contained in DNBS.CO.PD.No.367/03.10.01/2013-14, dated January 23, 2014 and DNBR.CO.PD.No. 011/03.10.01/2014-15, dated January 16, 2015, mere extension of DCCO would not be considered as restructuring subject to certain conditions, if the revised DCCO falls within the period of two years and one year from the original DCCO for infrastructure and non-infrastructure projects respectively. In such cases the consequential shift in repayment schedule by equal or shorter duration (including the start date and end date of revised repayment schedule) than the extension of DCCO would also not be considered as restructuring provided all other terms and conditions of the loan remain unchanged or are enhanced to compensate for the delay and the entire project debt amortisation is scheduled within 85%[1] of the initial economic life of the project as prescribed in paragraph 2(iii) above;

vi. The Amortisation Schedule of a project loan may be modified once during the course of the loan (after DCCO) based on the actual performance of the project in comparison to the assumptions made during the financial closure without being treated as ‘restructuring’ provided:

a) The loan is a standard loan as on the date of change of Amortisation Schedule;

b) Net present value of the loan remains the same before and after the change in Amortisation Schedule; and

c) The entire outstanding debt amortisation is scheduled within 85%[2] of the economic life of the project as prescribed in paragraph 2 (iii) above;

vii. If the Initial Debt Facility or Refinancing Debt Facility becomes NPA at any stage, further refinancing should stop and the NBFC which holds the loan when it becomes NPA, would be required to recognise the loan as such and make necessary provisions as required under the extant regulations. Once the account comes out of NPA status, it will be eligible for refinancing in terms of these instructions;

viii. NBFCs may determine the pricing of the loans at each stage of sanction of the Initial Debt Facility or Refinancing Debt Facility, commensurate with the risk at each phase of the loan, and such pricing should be as per the rate approved by its Board;

ix. NBFCs should secure their interest by way of proper documentation and security creation, etc.;

x. NBFCs will be initially allowed to count the cash flows from periodic amortisations of loans as also the bullet repayment of the outstanding debt at the end of each refinancing period for their asset-liability management; however, with experience gained, NBFCs will be required in due course to conduct behavioural studies of cash flows in such amortisation of loans and plot them accordingly in ALM statements;

xi. NBFCs should recognise from a risk management perspective that there will be a probability that the loan will not be refinanced by other NBFCs/lenders, and should take this into account when estimating liquidity needs as well as stress scenarios. Further,

[1] A relaxation of only 5% of initial economic life is provided in case of delay in achieving DCCO from the 80% ceiling of amortisation of project debt prescribed in paragraph 2(iii). NBFCs may factor the same while determining Original Amortisation Schedule

[2] Refer to Foot Note 1 above

unless the part or full refinancing by other NBFCs/lenders is clearly identified, the cash flows from such refinancing should not be taken into account for computing liquidity ratios. Similarly, once committed, the refinancing NBFC/lender should take into account such cash flows for computing their liquidity ratios; and

xii. NBFCs should have a Board approved policy for such financing.

3. Further, NBFCs may also flexibly structure the existing project loans to infrastructure projects and core industries projects with the option to periodically refinance the same as per the norms given below:

i) Only term loans to projects, in which the aggregate exposure of all institutional lenders exceeds Rs.500 crore, in the infrastructure sector (as defined under the Harmonised Master List of Infrastructure of RBI) and in the core industries sector (included in the Index of Eight Core Industries (base: 2004-05) published by the Ministry of Commerce and Industry, Government of India) will qualify for such flexible structuring and refinancing;

ii) NBFCs may fix a Fresh Loan Amortisation Schedule for the existing project loans once during the life time of the project, after the date of commencement of commercial operations (DCCO), based on the reassessment of the project cash flows, without this being treated as 'restructuring' provided:

a. The loan is a standard loan as on the date of change of Loan Amortisation Schedule;
b. Net present value of the loan remains same before and after the change in Loan Amortisation Schedule;
c. The Fresh Loan Amortisation Schedule should be within 85 per cent (leaving a tail of 15 per cent) of the initial concession period in case of infrastructure projects under public private partnership (PPP) model; or 85 per cent of the initial economic life envisaged at the time of project appraisal for determining the user charges / tariff in case of non-PPP infrastructure projects; or 85 per cent of the initial economic life envisaged at the time of project appraisal by Lenders Independent Engineer in the case of other core industries projects; and
d. The viability of the project is reassessed by the NBFC and vetted by the Independent Evaluation Committee constituted under the aegis of the Framework for Revitalising Distressed Assets in the Economy dated March 21, 2014.

iii) If a project loan is classified as ‘restructured standard’ asset as on the date of fixing the Fresh Loan Amortisation Schedule as per para 3 (ii) above, while the current exercise of fixing the Fresh Loan Amortisation Schedule may not be treated as an event of ‘repeated restructuring’, the loan should continue to be classified as ‘restructured standard’ asset. Upgradation of such assets would be governed by the extant prudential guidelines on restructuring of accounts taking into account the Fresh Loan Amortisation Schedule;

iv) Any subsequent changes to the above mentioned Fresh Loan Amortisation Schedule will be governed by the extant restructuring norms;

v) NBFCs may refinance the project term loan periodically (say 5 to 7 years) after the project has commenced commercial operations. The repayment(s) at the end of each refinancing period (equal in value to the remaining residual payments corresponding to the Fresh Loan Amortisation Schedule) could be structured as a bullet repayment, with the intent specified up front that it will be refinanced. The refinance may be taken up by the same lender or a set of new lenders, or combination of both, or by issue of corporate bond, as refinancing debt facility, and such refinancing may repeat till the end of the Fresh Loan Amortisation Schedule. The proviso regarding net present value as at paragraph 3(ii) would not be applicable at the time of periodic refinancing of the project term loan;

vi) If the project term loan or refinancing debt facility becomes a non-performing asset (NPA) at any stage, further refinancing should stop and the NBFC which holds the loan when it becomes NPA would be required to recognise the loan as such and make necessary provisions as required under the extant regulations. Once the account comes out of NPA status, it will be eligible for refinancing in terms of these instructions;

vii) NBFCs may determine the pricing of the loans at each stage of the project term loan or refinancing debt facility, commensurate with the risk at each phase of the loan, and such pricing should be as per the rate approved by the Board;

viii) NBFCs should secure their interest by way of proper documentation and security creation, etc.;

ix) NBFCs will be initially allowed to count the cash flows from periodic amortisations of loans as also the bullet repayment of the outstanding debt at the end of each refinancing period for their asset-liability management; however, with experience gained, NBFCs will be required in due course to conduct behavioural studies of cash flows in such amortisation of loans and plot them accordingly in ALM statements;

x) NBFCs should recognise from a risk management perspective that there will be a probability that the loan will not be refinanced by other lenders, and should take this into account when estimating liquidity needs as well as stress scenarios; and

xi) NBFCs should have a Board approved policy for such financing.

4. It is clarified that NBFCs may also provide longer loan amortisation as per the above framework of flexible structuring of project loans to existing project loans to infrastructure and core industries projects which are classified as 'NPAs'. However, such an exercise would be treated as 'restructuring' and the assets would continue to be treated as 'NPA'. Such accounts may be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily during the 'specified period' (as defined in the extant prudential guidelines on restructuring of accounts), i.e. principal and interest on all facilities in the account are serviced as per terms of payment during that period. However, periodic refinance facility would be permitted only when the account is classified as 'standard' as prescribed in the para 3 (vi) above.

5. It is reiterated that the exercise of flexible structuring and refinancing should be carried out only after DCCO. Further, one of the conditions (para 7.2.2. (iii) of Annex-4 of Notification No.DNBS(PD).No.271/CGM(NSV)-2014, dated January 23, 2014, viz., "The repayment period of the restructured advance including the moratorium, if any, does not exceed 15 years in the case of infrastructure advances and 10 years in the case of other advances.") for availing special asset benefits under restructuring guidelines will cease to be applicable on any loan to infrastructure and core industries project covered under the ambit of this circular.

6. RBI will review these instructions at periodic intervals.

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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(PD) 004 GM(AM)/2015 dated January 19, 2015

The Reserve Bank of India, 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, to amend the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (hereinafter referred to as 'the Directions'), (Notification No.DNBS.193/DG(VL)-2007 dated February 22, 2007), in exercise of the powers conferred by sections 45JA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby makes the following amendments in the Directions with immediate effect namely : –

1. Insertion of new paragraph 20C - After paragraph 20B, the following paragraph shall be inserted:-

"Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries -

20C. Norms for Flexible Structuring of Long Term project loans to Infrastructure and Core Industries by NBFCs shall be on the lines of the norms specified by the Reserve Bank of India for banks as modified and set forth in Annex-V."

(A. Mangalagiri)
General Manager in Charge

Annex-V

Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries

1. The long tenor loans to infrastructure / core industries projects, say 25 years, could be structured as under:

i. The fundamental viability of the project would be established on the basis of all requisite financial and non-financial parameters, especially the acceptable level of interest coverage ratio (EBIDTA / Interest payout), indicating capacity to service the loan and ability to repay over the tenor of the loan;

ii. Allowing longer tenor amortisation of the loan (Amortisation Schedule), say 25 years (within the useful life / concession period of the project) with periodic refinancing (Refinancing Debt Facility) of balance debt, the tenor of which could be fixed at the time of each refinancing, within the overall amortisation period;

iii. This would mean that the NBFC, while assessing the viability of the project, would be allowed to accept the project as a viable project where the average debt service coverage ratio (DSCR) and other financial and non-financial parameters are acceptable over a longer amortisation period of say 25 years (Amortisation Schedule), but provide funding (Initial Debt Facility) for only, say, 5 years with refinancing of balance debt being allowed by existing or new lenders (Refinancing Debt Facility) or even through bonds; and

iv. The refinancing (Refinancing Debt Facility) after each of these 5 years would be of the reduced amounts determined as per the Original Amortisation Schedule.

2. NBFCs may finance fresh long term projects in infrastructure and core industries as suggested in paragraph 1 above provided that:

i. Only term loans to infrastructure projects, as defined under the Harmonised Master List of Infrastructure of RBI, and projects in core industries sector, included in the Index of Eight Core Industries (base: 2004-05) published by the Ministry of Commerce and Industry, Government of India, (viz., coal, crude oil, natural gas, petroleum refinery products, fertilisers, steel (Alloy + Non Alloy), cement and electricity - some of these sectors such as fertilisers, electricity generation, distribution and transmission, etc. are also included in the Harmonised Master List of Infrastructure sub-sectors) - will qualify for such refinancing;

ii. At the time of initial appraisal of such projects, NBFCs may fix an amortisation schedule (Original Amortisation Schedule) while ensuring that the cash flows from such projects and all necessary financial and non-financial parameters are robust even under stress scenarios;

iii. The tenor of the Amortisation Schedule should not be more than 80% (leaving a tail of 20%) of the initial concession period in case of infrastructure projects under public private partnership (PPP) model; or 80% of the initial economic life envisaged at the time of project appraisal for determining the user charges / tariff in case of non-PPP infrastructure projects; or 80% of the initial economic life envisaged at the time of project appraisal by Lenders Independent Engineer in the case of other core industries projects;

iv. The NBFC offering the Initial Debt Facility may sanction the loan for a medium term, say 5 to 7 years. This is to take care of initial construction period and also cover the period at least up to the date of commencement of commercial operations (DCCO) and revenue ramp up. The repayment(s) at the end of this period (equal in present value to the remaining residual payments corresponding to the Original Amortisation Schedule) could be structured as a bullet repayment, with the intent specified up front that it will be refinanced. That repayment may be taken up by the same lender or a set of new lenders, or combination of both, or by issue of corporate bond, as Refinancing Debt Facility, and such refinancing may repeat till the end of the Amortisation Schedule;

v. The repayment schedules of Initial Debt Facility should normally correspond to the Original Amortisation Schedule, unless there is an extension of DCCO. In that case, in terms of extant instructions contained in DNBS.CO.PD.No.367/03.10.01/2013-14, dated January 23, 2014 and DNBR.CO.PD.No. 011/03.10.01/2014-15, dated January 16, 2015, mere extension of DCCO would not be considered as restructuring subject to certain conditions, if the revised DCCO falls within the period of two years and one year from the original DCCO for infrastructure and non-infrastructure projects respectively. In such cases the consequential shift in repayment schedule by equal or shorter duration (including the start date and end date of revised repayment schedule) than the extension of DCCO would also not be considered as restructuring provided all other terms and conditions of the loan remain unchanged or are enhanced to compensate for the delay and the entire project debt amortisation is scheduled within 85%[3] of the initial economic life of the project as prescribed in paragraph 2(iii) above;

vi. The Amortisation Schedule of a project loan may be modified once during the course of the loan (after DCCO) based on the actual performance of the project in comparison to the assumptions made during the financial closure without being treated as 'restructuring' provided:

a) The loan is a standard loan as on the date of change of Amortisation Schedule;

b) Net present value of the loan remains the same before and after the change in Amortisation Schedule; and

c) The entire outstanding debt amortisation is scheduled within 85%[4] of the economic life of the project as prescribed in paragraph 2 (iii) above;

vii. If the Initial Debt Facility or Refinancing Debt Facility becomes NPA at any stage, further refinancing should stop and the NBFC which holds the loan when it becomes NPA, would be required to recognise the loan as such and make necessary provisions as required under the extant regulations. Once the account comes out of NPA status, it will be eligible for refinancing in terms of these instructions;

viii. NBFCs may determine the pricing of the loans at each stage of sanction of the Initial Debt Facility or Refinancing Debt Facility, commensurate with the risk at each phase of the loan, and such pricing should be as per the rate approved by its Board;

ix. NBFCs should secure their interest by way of proper documentation and security creation, etc.;

x. NBFCs will be initially allowed to count the cash flows from periodic amortisations of loans as also the bullet repayment of the outstanding debt at the end of each refinancing period for their asset-liability management; however, with experience gained, NBFCs will be required in due course to conduct behavioural studies of cash flows in such amortisation of loans and plot them accordingly in ALM statements;

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[3] A relaxation of only 5% of initial economic life is provided in case of delay in achieving DCCO from the 80% ceiling of amortisation of project debt prescribed in paragraph 2(iii). NBFCs may factor the same while determining Original Amortisation Schedule

[4] Refer to Foot Note 1 above

xi. NBFCs should recognise from a risk management perspective that there will be a probability that the loan will not be refinanced by other NBFCs/lenders, and should take this into account when estimating liquidity needs as well as stress scenarios. Further, unless the part or full refinancing by other NBFCs/lenders is clearly identified, the cash flows from such refinancing should not be taken into account for computing liquidity ratios. Similarly, once committed, the refinancing NBFC/lender should take into account such cash flows for computing their liquidity ratios; and

xii. NBFCs should have a Board approved policy for such financing.

3. Further, NBFCs may also flexibly structure the existing project loans to infrastructure projects and core industries projects with the option to periodically refinance the same as per the norms given below:

i) Only term loans to projects, in which the aggregate exposure of all institutional lenders exceeds Rs.500 crore, in the infrastructure sector (as defined under the Harmonised Master List of Infrastructure of RBI) and in the core industries sector (included in the Index of Eight Core Industries (base: 2004-05) published by the Ministry of Commerce and Industry, Government of India) will qualify for such flexible structuring and refinancing;

ii) NBFCs may fix a Fresh Loan Amortisation Schedule for the existing project loans once during the life time of the project, after the date of commencement of commercial operations (DCCO), based on the reassessment of the project cash flows, without this being treated as 'restructuring' provided:

a. The loan is a standard loan as on the date of change of Loan Amortisation Schedule;
b. Net present value of the loan remains same before and after the change in Loan Amortisation Schedule;
c. The Fresh Loan Amortisation Schedule should be within 85 per cent (leaving a tail of 15 per cent) of the initial concession period in case of infrastructure projects under public private partnership (PPP) model; or 85 per cent of the initial economic life envisaged at the time of project appraisal for determining the user charges / tariff in case of non-PPP infrastructure projects; or 85 per cent of the initial economic life envisaged at the time of project appraisal by Lenders Independent Engineer in the case of other core industries projects; and

d. The viability of the project is reassessed by the NBFC and vetted by the Independent Evaluation Committee constituted under the aegis of the Framework for Revitalising Distressed Assets in the Economy dated March 21, 2014.

iii) If a project loan is classified as ‘restructured standard’ asset as on the date of fixing the Fresh Loan Amortisation Schedule as per para 3(ii) above, while the current exercise of fixing the Fresh Loan Amortisation Schedule may not be treated as an event of ‘repeated restructuring’, the loan should continue to be classified as ‘restructured standard’ asset. Upgradation of such assets would be governed by the extant prudential guidelines on restructuring of accounts taking into account the Fresh Loan Amortisation Schedule;

iv) Any subsequent changes to the above mentioned Fresh Loan Amortisation Schedule will be governed by the extant restructuring norms;

v) NBFCs may refinance the project term loan periodically (say 5 to 7 years) after the project has commenced commercial operations. The repayment(s) at the end of each refinancing period (equal in value to the remaining residual payments corresponding to the Fresh Loan Amortisation Schedule) could be structured as a bullet repayment, with the intent specified up front that it will be refinanced. The refinance may be taken up by the same lender or a set of new lenders, or combination of both, or by issue of corporate bond, as refinancing debt facility, and such refinancing may repeat till the end of the Fresh Loan Amortisation Schedule. The proviso regarding net present value as at paragraph 3(ii) would not be applicable at the time of periodic refinancing of the project term loan;

vi) If the project term loan or refinancing debt facility becomes a non-performing asset (NPA) at any stage, further refinancing should stop and the NBFC which holds the loan when it becomes NPA would be required to recognise the loan as such and make necessary provisions as required under the extant regulations. Once the account comes out of NPA status, it will be eligible for refinancing in terms of these instructions;

vii) NBFCs may determine the pricing of the loans at each stage of the project term loan or refinancing debt facility, commensurate with the risk at each phase of the loan, and such pricing should be as per the rate approved by the Board;

viii) NBFCs should secure their interest by way of proper documentation and security creation, etc.;

ix) NBFCs will be initially allowed to count the cash flows from periodic amortisations of loans as also the bullet repayment of the outstanding debt at the end of each refinancing period for their asset-liability management; however, with experience gained, NBFCs will be required in due course to conduct behavioural studies of cash flows in such amortisation of loans and plot them accordingly in ALM statements;

x) NBFCs should recognise from a risk management perspective that there will be a probability that the loan will not be refinanced by other lenders, and should take this into account when estimating liquidity needs as well as stress scenarios; and

xi) NBFCs should have a Board approved policy for such financing.

4. It is clarified that NBFCs may also provide longer loan amortisation as per the above framework of flexible structuring of project loans to existing project loans to infrastructure and core industries projects which are classified as ‘NPAs’. However, such an exercise would be treated as ‘restructuring’ and the assets would continue to be treated as ‘NPA’. Such accounts may be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily during the ‘specified period’ (as defined in the extant prudential guidelines on restructuring of accounts), i.e. principal and interest on all facilities in the account are serviced as per terms of payment during that period. However, periodic refinance facility would be permitted only when the account is classified as ‘standard’ as prescribed in the para 3(vi) above.

5. It is reiterated that the exercise of flexible structuring and refinancing should be carried out only after DCCO. Further, one of the conditions (para 7.2.2. (iii) of Annex-2 of Notification No.DNBS(PD).No.272/CGM(NSV)-2014, dated January 23, 2014, viz., “The repayment period of the restructured advance including the moratorium, if any, does not exceed 15 years in the case of infrastructure advances and 10 years in the case of other advances.”) for availing special asset benefits under restructuring guidelines will cease to be applicable on any loan to infrastructure and core industries project covered under the ambit of this circular.

6. RBI will review these instructions at periodic intervals.

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