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STANDING COMMITTEE ON ENERGY

(2017-18)

SIXTEENTH LOK SABHA

MINISTRY OF POWER

**Impact of RBI's Revised Framework for Resolution of Stressed
Assets on NPAs in the Electricity Sector**

FORTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2018/Shravana, 1940 (Saka)

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Presented to Lok Sabha on 7th August, 2018

Laid in Rajya Sabha on 7th August, 2018



LOK SABHA SECRETARIAT
NEW DELHI

August, 2018/Shravana, 1940 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (2017-18)

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- | | |
|---------------------|----------------------|
| 1. Shri A.K. Singh | Additional Secretary |
| 2. Shri N.K. Pandey | Director |
| 3. Ms. Deepika | Executive Assistant |

INTRODUCTION

I, the Chairperson, Standing Committee on Energy having been authorized by the Committee to present the Report on their behalf, present this Fortieth Report on 'Impact of RBI's Revised Framework for Resolution of Stressed Assets on NPAs in the Electricity Sector' pertaining to the Ministry of Power.

2. The Committee had a series of discussions on the subject on 11th April, 2018, 12th June, 2018 and 5th July, 2018 with representatives of the Ministry of Power, the Ministry of Finance, the Ministry of Coal, the Reserve Bank of India, Lending Banks and Developers/Promoters of the Stressed Power Projects.

3. The Committee wish to express their thanks to representatives of the Ministry of Power, the Ministry of Finance, the Ministry of Coal, the Reserve Bank of India, Lending Banks and the Developers/Promoters of the Stressed Power Projects, for appearing before the Committee and furnishing the desired information on the issues relating to the subject.

4. The Report was considered and adopted by the Committee at their sitting held on 2nd August, 2018.

5. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

**NEW DELHI
2nd August, 2018
11 Shravana, 1940 (Saka)**

**Dr. Kambhampati Haribabu
Chairperson,
Standing Committee on Energy**

REPORT

PART-I

NARRATION ANALYSIS

I. INTRODUCTORY

1.1 37th Report of the Standing Committee on Energy on the subject "Stressed/Non Performing Assets in the Electricity Sector" was presented to the Parliament after extensive deliberations with all the stakeholders like the Ministry of Power, the Ministry of Finance, the Ministry of Coal, the Ministry of Railways, the Reserve Bank of India, lending Banks and developers/promoters of the stressed power projects, etc. in order to resolve the issue of NPA in electricity sector as per the extant RBI Guidelines and other legal/ financial/ statutory provisions applicable at that time. The said Report, *inter-alia*, analysed Power Scenario in the country, Stressed/Non-Performing Assets in the Electricity Sector and reasons thereof, Role of RBI/Ministry of Finance/Banks in financing of Power Projects, Role of the Ministry of Power/CEA/CERC/SERCs in regulation and development of Power Sector, etc.

1.2 The Committee focussed on 34 coal based thermal power plants which were categorised as 'stressed' due to issues such as:

- Non-availability of Fuel:
 - Cancellation of coal block.
 - Projects set up without Linkage.
- Lack of enough PPA by states
- Inability of the Promoter to infuse the equity and working capital
- Contractual/Tariff related disputes
- Issues related to Banks/Financial Institutions (FIs).
- Delay in project implementations leading to cost overrun.
- Aggressive bidding by developers in PPA.

1.3 The Committee have been apprised that the total coal based power capacity in the private sector may be nearly 90,000 MW out of which 75,000 MW is already operational. It is estimated by various sources that approximately 60,000 MW to 65,000 MW of this capacity may be under financial stress. Lenders have exposure of approximately INR 3 Lakh Crore to such assets and it is imperiled due to slow resolution process and tepid power procurement demand from discoms in last 3 to 4 years. Stressed Power Assets have placed a major pressure on the balance sheets of lenders including scheduled commercial banks.

1.4 With a view to clean-up the books of the banks, RBI issued a Revised framework which substituted the then existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets. As per the Revised Framework, the extant instructions on resolution of stressed assets such as Framework for Revitalizing Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) were withdrawn. The Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts has also been discontinued. Now, all accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.

1.5 It may be noted that the 'Revised Framework for Resolution of Stressed Assets' has been issued by the RBI in exercise of powers conferred under Section 35A, 35AA

(read with S.O.1435 (E) dated May 5, 2017 issued by the Government of India) and 35AB of the Banking Regulation Act, 1949; and, Section 45(L) of the Reserve Bank of India Act, 1934.

1.6 Due to the sectoral issues i.e. non-availability of adequate fuel, delay in power sale agreement tie-ups and the like, the resolution plans achieved under RBI frameworks and/ or IBC are likely to be highly sub-optimal and may lead to large haircuts for lenders which are state owned banks and also state owned companies i.e. Power Finance Corporation Limited and Rural Electrification Corporation Limited. Given these asset level issues, the number of buyers is also very small thus creating a near fire sale situation.

1.7 The demand for electricity is said to have picked up pace as reflected in the recent power tariff increases in spot and short term markets. There is likelihood that this stressed capacity may be meaningfully absorbed in power system in next 3 to 4 years. In this light it is extremely critical to preserve the existing thermal power capacity for current and future economic benefits.

1.8 As a result of the Revised Framework issued by RBI and to evaluate the impact of this Revised Framework on NPA in the Electricity Sector, the Committee had meetings with the representatives of the Ministry of Power, Ministry of Finance and Ministry of Coal. The Committee also heard the views of the representatives of the Reserve Bank of India and lending Banks/Institutions along with the promoters of the stressed power plants.

II

NON-PERFORMING ASSETS IN ELECTRICITY SECTOR

2.1 As per RBI, the high NPA ratio for Indian banks is a sector-specific phenomenon and as such, most of the non-performing loans of the banking system are concentrated in few sectors, viz., infrastructure, power, iron & steel, textile etc., and different sectors are not similarly placed with regard to the reasons for stress.

2.2 When asked about the reasons for stress in aforementioned sectors, the Ministry of Finance, in its reply, stated as under:

"(a) Coal linkage related issues, delay in implementation of projects due to various reasons, non-availability of fuel, delay in land/environment clearances, inability of promoters to infuse additional funds, lower power generation due to restrictions on release of water etc. have aggravated the problems faced by the power industry. Weak financial health of Distribution Companies (DISCOMS) have led to substantial increase in receivables of borrowing groups (*i.e.*, receivables of Power Generating Companies), thus impacting their liquidity position.

(b) Iron and steel industry has suffered and borrowing entities have been restructured due to the problems of huge capacity expansion with thinner equity cushion as well as problems associated with the allocation of iron ore and coal blocks.

(c) Industries like ship-building and shipyards have seen an increased spate of restructuring on account of drying up of global finances to this industry. Fall in commodity demand and prices due to global crisis have resulted in fall/cancellation of new orders. Cancellation of contracts leading to piling up of inventory has been another cause for stress. On account of global economic downturn, finances available to ship-owners have dried up.

(d) The southern zone has seen textile industry getting visibly affected due to fluctuation in the price of cotton and yarn. Environmental issues created by treatment of effluent wastes have also affected the textile industry.

(e) Recession in paper industry has resulted in several paper mill accounts with banks turning NPAs."

2.3 RBI submitted before the Committee that while the reasons for stress may vary across sectors, the nominal principles of resolution of such stress remain the same

irrespective of the sector, as ultimately any negotiation of debt is a restatement of a financial contract. It further stated that given the sector-agnostic basic principles of stress resolution, the revised framework provides a harmonized, flexible approach to apply the same.

2.4 The Committee have been informed that the Gross NPAs in the power sector have risen steadily over the past few quarters. As per RBI, the total outstanding loans of scheduled commercial bank to the power sector (including renewables) stood at Rs. 5.65 lac crore (as on March 2018). Nearly 80 per cent of this amount is accounted for by the public sector banks (PSBs) and almost a fifth of this exposure is stressed on account of various structural factors plaguing the power sector.

2.5 Given below is the present status of 34 stressed coal based thermal power plants, as furnished by the Ministry of Finance:

Project Name	Capacity (MW)	Completed/ Under Construction	Completed but not Operational	Commercially commissioned and operational	FSA Tied up	PPA Tied Up	Estimated Project Cost (Equity & Debt)	Stage of Insolvency
Adani Power Maharashtra Limited	3300	Completed	NA	Yes	3085	3085	19,788.00	Resolved
Adhunik Power & Natural Resources Ltd.	540	Completed	NA	Yes	0	322	3,377.00	Resolved: Sold to ARC
Athena Chhattisgarh Power Ltd.	1200	Under Construction	NA	NA	600	220	11,522.00	Admitted to NCLT
Avantha Power (Jhabua)	600	Completed	NA	Yes	600	245	4,806.00	

Avantha Power (Korba)	600	Completed	NA	Yes	600	0	4,929.00	
Coastal Energen Pvt. Limited	1200	Completed	NA	Yes	NA	600	7,870.00	
Damodar Valley Corporation Raghunathpur	1200	Completed	NA	Yes	550	550	7,957.00	Resolved
DB Power Limited	1200	Completed	NA	Yes	600	518	8,965.00	Resolved
East Coast Energy Pvt. Ltd.	1320	Under Construction	NA	NA	0	100	9,975.00	Admitted to NCLT
Essar Power Jharkhand Ltd.	1200	Under Construction	NA	NA	0	1050	10,441.00	
Essar Power Mahaan Ltd.	1200	Completed	Unit 2 to be commissioned	Unit 1 is commissioned	0	275	7,173.00	
GMR Chhattisgarh Energy Ltd.	1370	Completed	NA	Yes	0	69	11,643.00	
GMR Kamalanga Energy Ltd.	1050	Completed	NA	Yes	500	887	6,519.00	Resolved
GMR Warora Energy Ltd.	600	Completed	NA	Yes	600	600	4,250.00	
GVK Industries Ltd. (Goindwal Sahib)	540	Completed	NA	Yes	0	540	4,773.00	Resolved but under stress
Ind Bharath (utkal) Ltd.	700	Unit 1 is operational; Unit 2 is under construction	NA	Unit 1 is commissioned	NA	500	4,797.00	

Jaypee Power Ventures Pvt. Ltd. (Bina)	540	Completed	NA	Yes	500	350	3,575.00	
Jaypee Power Ventures Pvt. Ltd. (Nigrie)	1320	Completed	NA	Yes	500	495	11,700.00	
Jindal India Thermal Power Ltd.	1200	Completed	NA	Yes	600	544	7,061.00	
Kanti Bijlee Utpadan Nigam Ltd.	390	Completed	NA	Yes	390	390	4,778.00	Resolved
KSK Mahanadi Power Co. Ltd.	3600	Phase 1 Completed; Phase 2 under Construction	NA	Phase 1 is operational	0	2270	27,080.00	
KVK Nilachal Power Ltd.	350	Under Construction	NA	NA	350	88	2,992.00	Referred to NCLT
Lanco Amarkantak Power Ltd.	1920	Phase 1 Completed; Phase 2 under Construction	NA	Phase 1 (600 MW) is operational	1920	672	12,865.00	
Lanco Anpara Power Ltd.	1200	Completed	NA	Yes	1200	1100	4,845.00	
Lanco Babandh Power Ltd.	1320	Under Construction	NA	NA	660	545	13,400.00	Referred to NCLT
Lanco Vidarbha Thermal Power Ltd.	1320	Under Construction	NA	NA	0	0	10,443.00	
Monnet Power Co. Ltd.	1050	Under Construction	NA	NA	0	476	9,500.00	Admitted to NCLT
Prayagraj Power Generation Company Ltd. (jaypee)	1980	Completed	NA	Yes	1980	1782	15,537.00	

Rattan India Power Ltd. (Nasik)	1350	Completed	NA	Yes	1080	650	9,818.00	
RKM Powergen Private Ltd.	1440	Unit 1,2,3 Operational; Unit 4 Under Construction	NA	Unit 1,2,3 Operational	900	350	12,608.00	
Simhapuri Energy Ltd. (Phase 1&2)	600	Completed	NA	Yes	NA	400	3,510.00	
SKS Power Generation Chattisgarh Ltd.	600	Completed	NA	Yes	300	30	6,180.00	
Vandana Vidhyut Ltd.	270	Completed	Yes	NA	0	14	1,949.00	Admitted to NCLT
Visa Power Ltd	600	Under Construction	NA	NA	NA	600	4,500.00	Admitted to NCLT
	38870				17515	20317	2,91,126	

2.6 Explaining the status of above mentioned under construction Power Projects, Independent Power Producers submitted before the Committee that:

"Out of the 34 stressed projects, around 35% are under construction. Project progress achieved in these under construction projects is ranging from 45% to 85% with residual project completion time lines between 9 months to 24 months from the date of Re-financing and Re-mobilization.

Since 2012, construction work at these projects is stalled due to various reasons beyond the control of developer. Disbursement made by banks during the stalled period mostly served the IDC component and a very small percentage of the disbursed amount, which in many projects would be in single digit, was allowed by banks to be utilized towards project construction. As a result, most of the projects have an IDC component in excess of 50% of the total project cost. These stalled under construction projects currently:

- Are servicing debt at a Rate of Interest between 15% to 17% including penal charges of 2%,
- Have high tech thermal power plant equipment stored at various ports and project sites without preservation because of zero disbursements by banks post end of 2016,
- Are without basic insurance coverage like fire, burglary etc., due to paucity of funds."

2.7 Suggesting the measures for resolution of under construction stressed Power Projects, Independent Power Producers deposed that

“Any project which is in excess of 75 per cent completion, let the project be funded and let them complete the project so that there is a value which is retained and some amount of debt can be protected. The interest for these projects has to be made reasonable. Our suggestion is 10 per cent for going forward. If a promoter brings in an additional equity during this construction period, then you give him a value. Otherwise, no. The change in management has to be done post commissioning because the existing promoter could not continue with the project for various reasons. In respect of the projects which have attained between 50 per cent and 75 per cent progress, the lenders again have to provide the required fund. But however, simultaneously, explore the possibility of change in management, either through the RBI circular or through the IBC provisions. Here, a slight premium has to be charged on the IDC because these projects have attained less progress. In respect of projects which have attained progress less than 50 per cent, the first and the foremost priority is to preserve the equipment which has been delivered.”

2.8 Commenting on the possibility of these stressed power projects being revived, the CMD, Rural Electrification Corporation deposed before the Committee that:

"those projects which are less than 50 per cent completed, there is no hope of them being revived unless the promoter does something outside the formal structure that exists today. There is not much hope of a retrieval. They would have to go to the NCLT. The projects of 16,000 MW perhaps have no scope but to go to NCLT and be liquidated for whatever their value is or find an alternate use. If there is a land available, maybe, that could become a real estate option or it could be an industrial estate. There must be other economic or commercial opportunities that exist. But it may not be a power project. As a power project, we do not see a viability for them but I am sure they would have other economic opportunities that could find a place."

2.9 As on May 31, 2018, out of 34 identified stressed cases, 7 projects corresponding to installed capacity of 7,620 MW have reportedly been resolved after allocation of coal under SHAKTI scheme.

2.10 Confirming about the 7 Power Projects that have been resolved, the Secretary, Ministry of Power deposed that:

"we had 34 projects at the point of time when we started discussion. Out of them, seven projects have got resolved either due to SHAKTI policy or the discoms issue settled and they are out of stress as far as we are concerned."

2.11 Explaining the reasons for stress in the Power Projects and steps taken by the Government to alleviate them, the Secretary, Ministry of Power deposed that:

"these projects were in stress for different reasons. Everything perhaps does not rest with the banks or the RBI *per se*. For example, the cancellation of coal blocks led to non-availability. Then, there was allotment of coal blocks and some of those coal blocks got into dispute again because of aggressive bidding. So, situation has reached again where the fuel became an issue in some of those plants. So, SHAKTI policy addressed some issues.

Secondly, there was an issue of delayed payment by discoms. Again, it leads to stress if the payment to power plants is delayed beyond 60 days. There are instances from some places of longer periods of delay. This is another issue where bankers or RBI circular *per se* does not have an any impact. This needs to be addressed. We have been taking it up with the discoms regularly, requesting for tariff revision and all that. Under UDAY, we have requested for checking the losses and some improvement is visible on account of discoms.

Here, I would like to mention that there are large amounts of money which are outstanding from the Government Departments in some of the States. That is a huge money. If that is available, these losses can be easily written off or payments to generators can be made.

The other reason cited was lack of PPAs in the market. We had done some analysis. We find that if the peak rated capacity is about 160-165 GW, the PPAs available with the State Governments are of more than 230 GW. They are already having excess PPAs and each PPA is a cost to them as far as fixed cost is concerned.

As regards the regulatory issues, the regulator has been addressing them. With regard to the railway charges etc., all the charges have been included in the freight. The notification was issued in January. One part of that issue which was there, delay in incorporation of increase in other charges other than freight, has been addressed and they have now been included. Now onwards, it will be addressed better. The regulator has brought out some other improvements also. The indexation issue was there. So, it has been already put for consultation by the regulator, CERC. We expect that these are the issues which can be addressed quickly. We are working on it and hopefully, we should be able to resolve some of these issues in three months' time."

2.12 Explaining the status regarding coal supply with respect to the stressed Power Projects, the Secretary, Ministry of Coal deposed that:

"Out of the 34 assets that have been listed, there are 14 which have issues with the coal. There are eight projects which had PPAs but no coal linkage, the auction process was set into motion under clause(b) of the SHAKTI Policy and coal supply has been started to five of them. They have to get their PPA amended. Similarly, in the three more cases where neither PPA was there nor the coal linkage was there, they are being made eligible under the B-(III). An inter-Ministerial Committee has been constituted and it has worked out the modalities. Once it is approved by the Competent Authority, the provision for providing coal will be made available. There are three plants which had problem with the coal block allocation and the cases regarding the same are pending in the court. Out of that, two are clear from the court and we are making provision for them under the B(III) clause of the policy. So, this is only the limited issue as far as the coal sector is concerned. The SHAKTI policy is quite comprehensive and will cater to the requirements of these plants."

2.13 When the Committee wanted to know the views of the Ministry of Finance about the resolution of the stressed Power Projects, the Secretary, Department of Financial Services deposed that:

"There are few considerations which we have to keep in mind while we are trying to resolve the situation. One, the entire economy which is on a growth trajectory has to be fueled by the power. If there is no power, all will suffer at some stage. We are also very well aware that whatever gestation period is gone through these projects, this must not be lost. We must try and do something that these projects are, to the extent possible, resolved.

Secondly, these projects are at different stages and each project is unique in itself and one situation cannot fit all. I will mention a few points. They are in different stages because of physical progress, the kind of clearances they have, the kind of PPAs they have, the kind of availability of natural resources including the linkages they have, promoters' behaviour, lending, gold plating which cannot be denied in many cases, possibility of a particular project coming out of the stress, bank exposure, capacity of the bank to take that kind of a hit at this stage or before going to the NCLT etc. These are the various things which determine how you treat different projects."

2.14 When asked if there is some provisioning so that the above mentioned 7 Projects will not become stressed again, the Ministry of Finance stated as under:

"As far as the asset classification is concerned, it cannot be said that any project will remain constant for times to come. In case projects are not able to service their debt obligations then the possibility of classification being

downgraded remains. The classification of an account is governed by the status/progress of the project and the extant guidelines."

2.15 In response to a query if these stressed coal based Power Projects can be made viable in future, keeping in view the fact that renewable energy is being made available to the country at a very low price, the Committee were apprised that:

"Currently, roughly 1,70,000 MW is the peak electricity requirement in the country. As per CEA projections and as per National Electricity Plan, the growth will be roughly six per cent. That means every year the demand will increase by 11,000 plus MW. No new coal plant will get added except those which are under construction. Currently, power plants worth 18,000 to 19,000 MW have no PPA. The annual requirement is 11,000 MW which is incremental every year.

In terms of renewables, as a country our peak requirement comes in the evening and seasonally in some States during the monsoon. The peak renewable energy from solar comes during the day time, when the demand is not at its peak. No country will be able to run its energy requirements through renewables, which can at best contribute 15 per cent of the energy. It is because while the PLF of coal plant can be 80 per cent, renewables run at 20 or 25 per cent. So, without coal plant, energy needs cannot be met. This current capacity overhang will clear in two to three years. As per the MoEF recommendation, new FGD, and as per the CEA calculations, 13,000 to 14,000 MW capacity of old plants have to be retired. So, we believe that all these plants can be economic in two to three years."

2.16 When asked if the promoters have been allowed to go scot-free under IBC 2016 for their role or contribution in making the asset NPA or stressed, the Ministry of Finance stated as under:

"Under the IBC, the old promoters have to forego their ownership and are also not allowed to participate in the bidding process as per Sec. 29A. Forensic audit of NPA accounts continues even if a case is referred under IBC. The liability of the promoter is not linked to reference by creditors of the account to the NCLT under the IBC."

III

RBI'S REVISED FRAMEWORK FOR RESOLUTION OF STRESSED ASSETS

3.1 The Committee were apprised that the RBI with its new guidelines dated February 12, 2018 **(Annexure-I)** has discontinued all previous schemes for resolution of stressed assets and substituted the same with generic framework for resolution. The circular stipulates that default of even a single day in payment of interest/principal would trigger formulation of resolution plan. This framework has provided deadline of 180 days for implementation of resolution plan and if such resolution is not implemented then lenders have to file insolvency application under Insolvency and Bankruptcy Code (IBC) 2016 within 15 days.

3.2 RBI stated that default is a lagging indicator of financial stress in a borrower's account and RBI's Revised Framework for Resolution of Stressed Assets is aimed at ensuring early resolution of stressed assets in a transparent and time-bound manner so that maximum value could be realized. Further, it allows banks to do restructuring of the asset with complete flexibility to determine the contours of the restructuring plan.

3.3 Explaining the positive impact of the Revised Framework, the Governor, RBI deposed that:

"In effect, the revised framework has ensured timely recognition of NPAs. Independent study by Crisil which is a rating agency that we all know about, also corroborates the above and states that: "The tide is slowly turning and Crisil expects moderation in slippages, better recoveries from NPAs and improved provision coverage to goad well for bank." The expected pick up in loans and advances concomitantly with all this happening in fiscal year 2018-19 and the resolution of stressed assets is expected to increase the earnings on banking assets and help banks to strengthen their transparent balance-sheets. It may be pertinent to note that the growth in advances across banking routes

has witnessed a pick up over the past few months. The adjusted non-foot credit is up by 13 per cent.

Another positive result of the above measure has been that banks have been able to increase the provision coverage ratio on the stressed loans significantly in the year that has just ended from 58.9 per cent to 63.6 per cent which again should help banks in better managing the incremental NPA.

International research has shown that higher and quicker build up of provisions helps in faster resolution of stressed assets. The stressed assets include throughout the sector, throughout the economy. The infusion of capital by the Government of India has been timed well to enable the banks to manage the transition while not breaching any regulatory capital limits. It is a requirement when we are in the international capital market. We have to follow the rules that the rest of the world follows. We cannot be having separate rules for the banking system which is integrated with the rest of the world. If you include the budgeted amount for this year over the last four years, the capital infusion into our banks will be Rs. 2,15,000 crore, if my calculation is correct. The Reserve Bank also committed to facilitate a smoother transition as much as prudentially possible. In particular banks were given additional time to make provisions for cases referred under IBC on the RBI direction which would include the power assets. It must be stressed that as a result of the above measures, none of our public sector banks barring one is in breach of the regulatory capital requirement of nine per cent of capital adequacy ratio as on March 31, 2018 in spite of recognizing much higher level of NPAs. These NPAs were always there. We are now recognizing them. Further, it is expected that the banks will have sufficient avenues to raise additional capital so as not to face any capital constraints. As I just mentioned, the Government has budgeted Rs. 65,000 crore for additional capital infusion in 2018-19 alone which can be front-loaded. Further, post re-capitalization, the scope for PSBs to raise additional market borrowings continue. These measures are expected to assist the PSBs in complying with the regulatory capital requirements and in case of healthier PSBs to also have growth capital. Since substantial parts of stressed assets have been recognized and reasonably provisioned, any further accretion to capital is expected to help any further asset quality stress in the short run and hopefully and eventually support credit growth in the medium to long term while preserving the financial health of our public sector banks. Overall, therefore, we are of the view that the banking system in general including the PSBs is getting stronger with the regulatory and transparency measures undertaken by the RBI and other regulators. The legislative changes brought about through the enactment of IBC and the amendments that have taken place as recently as last week and the financial support to the public-sector banks by the Central Government goods well for the sector."

3.4 When asked about the reasons and objectives of the new guidelines regarding Non-Performing Assets (NPA) issued by the RBI on February 12, 2018, the Ministry of Finance, in its reply, stated as under:

"As per the circular dated 12.2.2018 issued by the Reserve Bank of India (RBI), in view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), RBI decided to substitute the existing guidelines and instructions for resolution of stressed assets, including specific schemes introduced by RBI, with a harmonised and simplified generic framework for resolution of stressed assets (Revised Framework on Resolution of Stressed Assets)."

3.5 When asked if any review had been done to evaluate the performance and achievement of earlier Guidelines, the Ministry of Finance stated as under:

"various special resolution schemes introduced by RBI were used by lenders more to address asset classification concerns rather than to effectively resolve stressed assets. An internal review of SDR and S4A schemes, which provided asset classification benefits to banks, revealed that their adoption rate among eligible borrowers was less than 20% and in case of SDR, the success rate was close to zero where implemented, indicating that the schemes were not really used for resolution of stressed assets."

3.6 On being asked if the earlier guidelines had been withdrawn because of their failure to provide the desired result, the Ministry of Finance stated as under:

"RBI has stated that various special schemes for resolution introduced by it were used by lenders more to address asset classification concerns rather than to effectively resolve stressed assets, and that the enactment of a comprehensive bankruptcy law in the country has obviated the need for such specific schemes."

3.7 Explaining the reasons for failure of earlier guidelines, CMD, Rural Electrification Corporation deposed that:

- "JLF was an inefficient tool for resolution of stressed assets due to various inter-creditor issues,
- Lenders' efforts were driven by minimization of provisioning rather than focussing on recovery/ asset resolution,
- Weak regulatory response to change in costs aggravated cashflow stress."

3.8 When queried about the reasons for revision in the definition of 'Default', the Ministry of Finance stated as under:

"As per RBI, the revised framework has aligned the definition of default with the one used in IBC. The objective is to ensure prompt action to cure stress in a borrower account as soon as default takes place."

3.9 When asked if the new concept of default has taken into account the ground realities of different sectors and should the definition of default be sector specific as more often the reasons for default remain beyond the control of promoter, the Ministry of Finance stated that while the causes for stress may be different, the nominal principles governing resolution of stress are the same, regardless of the sector.

3.10 When asked if the new guidelines on NPA will not spur the filing of insolvency proceedings with NCLT, the Ministry of Finance stated as under:

"As per RBI's new guidelines, a stressed account of above Rs. 2,000 crore has to be referred to NCLT under IBC if the default continues beyond 180 days."

A. Early identification and reporting of Stress

3.11 RBI's Revised Framework for Resolution of Stressed Assets has prescribed that the Lenders shall identify incipient stress in loan accounts, immediately on default, by classifying stressed assets as special mention accounts (SMA) as per the following categories:

SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

3.12 Further, in para 4, all lenders have been asked by the RBI to put in place Board-approved policies for resolution of stressed assets under this framework, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders – singly or jointly – shall initiate steps to cure the default. The resolution plan (RP) may involve any actions / plans / reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring. The RP shall be clearly documented by all the lenders (even if there is no change in any terms and conditions). Restructuring is defined by RBI as below:

"Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty (An illustrative non-exhaustive list of indicators of financial difficulty are given in the Appendix to Annex-I), grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances/securities, which may include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest; rollover of credit facilities; sanction of additional credit facility; enhancement of existing credit limits; and, compromise settlements where time for payment of settlement amount exceeds three months."

B. Implementation Conditions for Resolution Plan (RP)

3.13 Para 5 of the RBI's Revised Framework prescribes that a RP in respect of borrower entities to whom the lenders continue to have credit exposure, shall be deemed to be 'implemented' only if the following conditions are met:

- a. the borrower entity is no longer in default with any of the lenders;
- b. if the resolution involves restructuring; then
 - i) all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and

ii) the new capital structure and/or changes in the terms of conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.

3.14 Additionally, Para 6 of the RBI's Revised Framework stipulates that the RPs involving restructuring/change in ownership in respect of 'large' accounts (i.e., accounts where the aggregate exposure of lenders is Rs. 1 billion and above), shall require independent credit evaluation (ICE) of the residual debt by credit rating agencies (CRAs) specifically authorized by the Reserve Bank for this purpose. While accounts with aggregate exposure of Rs. 5 billion and above shall require two such ICEs, others shall require one ICE. Only such RPs which receive a credit opinion of RP4 or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation.. Further, ICEs shall be subject to the following:

(a) The CRAs shall be directly engaged by the lenders and the payment of fee for such assignments shall be made by the lenders.

(b) If lenders obtain ICE from more than the required number of CRAs, all such ICE opinions shall be RP4 or better for the RP to be considered for implementation.

3.15 When asked about the reasons for Independent credit evaluation in the Resolution Plan involving restructuring/change in ownership and if it would increase subjectivity in course of its functioning, the Ministry of Finance stated as below:

"RBI has stated that the credibility of the resolution plan is sought to be ensured through the requirement of independent credit evaluation by credit rating agencies. Such independent credit evaluation would ensure that only sustainable or viable plans are adopted by creditors and the borrower as resolution plans. RBI has also stated that for credit rating agencies, the incentive to not give erroneous or questionable credit opinion is its credibility and reputation in the market, which is its main currency for sustained business."

C. Timelines for Stressed Accounts to be referred under IBC

3.16 According to the RBI's Revised Framework for Resolution of Stressed Assets, in respect of accounts with aggregate exposure of the lenders at Rs. 20 billion and above, on or after March 1, 2018 ('reference date'), including accounts where resolution may have been initiated under any of the existing schemes as well as accounts classified as restructured standard assets which are currently in respective specified periods (as per the previous guidelines), Resolution Plan shall be implemented as per the following timelines:

- i) If in default as on the reference date, then 180 days from the reference date.
- ii) If in default after the reference date, then 180 days from the date of first such default.

3.17 Further, if a Resolution Plan in respect of such large accounts is not implemented as per the timelines specified in the above paragraph, lenders shall file insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC) within 15 days from the expiry of the said timeline.

3.18 RBI's Revised Framework for Resolution of Stressed Assets also prescribe that in respect of such large accounts, where a RP involving restructuring/change in ownership is implemented within the 180-day period, the account should not be in default at any point of time during the 'specified period', failing which the lenders shall file an insolvency application, singly or jointly, under the IBC within 15 days from the date of such default.

'Specified period' means the period from the date of implementation of RP up to the date by which at least 20 percent of the outstanding principal debt as per the RP and interest capitalization sanctioned as part of the restructuring, if

any, is repaid. Provided that the specified period can not end before 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 under the terms of RP.

3.19 Explaining the problem with the provision regarding 'Specified Period for the purpose of Restructuring of the Stressed Assets', Independent Power Producers deposited before the Committee that:

"The RBI Circular gives a strong disincentive to the banks to restructure loan even in deserving cases. It says that if any loan is restructured, it will remain substandard till 20 per cent of the loan is repaid. That 20 per cent loan for the power sector gets paid over five years' time. As per RBI's own provisioning norms for a substandard asset, once it crosses three years, over a period, 100 per cent of the loan has to be provided in the books. So, which bank will restructure loan, even for a deserving candidate, if it has to increase its provisioning in the books? It hits its profit and it makes it an NPA. The same circular says that if you bring in a new promoter and change in control, then the asset becomes standard. It means that unwittingly, what RBI is doing is making the existing promoters to be kicked out, who have spent sweat and blood to invest and build up, and bring new promoters, and giving concessions to them. So, if a new promoter comes, any restructuring, any write off is fine, but it is not fine with the existing promoters."

3.20 When asked if the timeline prescribed under Resolution Plan is practical and implementable, the Ministry of Finance stated as under:

"RBI has stated that default is a lagging indicator of financial stress in a borrower's account. The framework provides for 180 days after the lagging indicator to cure the stress, in the case of borrowers with aggregate exposure of Rs. 2,000 crore and above, failing which insolvency resolution process under IBC will be triggered, which provides for another 270 days for resolution. Lenders need to be proactive in monitoring their borrowers and be able to identify financial stress using a combination of leading indicators and renegotiation points in the form of loan covenants, rather than wait for a borrower to default. Such early identification of stress and loan modifications in response would provide sufficient time for lenders to put in place the required resolution plan."

3.21 Explaining the difficulties faced by the lenders with respect to the strict timeline of 180 days, CMD, Rural Electrification Corporation deposited that:

"Exactly in 180 days to find an optimal solution and resolve is almost impossible. We have submitted a timeline to the Ministry that minimum, if no roadblocks come in between, 231 days are required because you have to prepare bidding document, technical and financial operation, then you have to invite bids and evaluate, document it and create security also. All these aspects within 180 days is almost impossible. Ultimately solution is the NCLT only. It means every project will ultimately land up in NCLT where pipeline would be chocked. There are limited number of judges. It will not be so easy."

3.22 Regarding the strict timeline of 180 days, the representative of SBI deposed before the Committee that:

"As of now our deadline is 27th August not only for getting the bids, but even this restructuring has to be reflected in the books of the banks as well as in the books of the company. Now, this deadline is approaching so fast. The bidding process takes time, and then there are negotiations involved in it. If in the case of power project 12 months' time is given, then this can work smoothly and also very efficiently. Hence, we want an extended time for these."

3.23 The Committee were apprised that the RBI's Revised Framework for Resolution of Stressed Assets prescribes to identify and implement a Resolution Plan within 180 days with 100 % consensus whereas the IBC, 2016 stipulates for consensus among 66 % of the Lenders. Highlighting the difficulty in getting 100 % consensus, CMD, Rural Electrification Corporation deposed that:

"unfortunately 100 per cent consensus to be reached is difficult because in some projects we are having as many as 27 banks."

3.24 Regarding the same issue of 100 % consensus, Independent Power Producers deposed that

"If there is a resolution plan which has been submitted and has been approved by two-thirds, it should be carried on by other people. Now, what can happen as per the RBI guidelines vis-à-vis the IBC Code, even a person having 0.1 per cent share can stall the Resolution Process. There is a dichotomy here. If the majority is passing the resolution plan, it should be agreed to by other banks."

3.25 Explaining the provision regarding "One Day Default", the Deputy Governor, RBI deposed that:

"one day default does not result in reference to NCLT at all. We have maintained the 90 days definition for NPA classification as it is. What we have said is that one day default should set in motion a process to deal with the problem. From that day, within 180 days, the problem should be solved. If the problem is solved within 180 days, the case does not go to NCLT."

3.26 He further explained that:

"there is no restriction for lending when a company is an SMA. There is no restriction for lending even to an NPA account. If you look at the circular, we have said it that as part of the resolution plan, if additional funding is required, that additional funding is treated as standard asset. So, we have actually provided adequate provisions. As an account, SMA has no stigma. It is only to indicate that the banks have to deal with the stressed asset."

D. Joint Lending Forum

3.27 As per the RBI's Revised Framework for Resolution of Stressed Assets, the Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts stands discontinued.

3.28 As per RBI, the concept of Joint Lenders' Forum was envisaged as a part of the erstwhile Framework for Revitalizing Distressed Assets in the economy, to function as a platform for efficient information-sharing and decision-making. RBI has stated that in the absence of a bankruptcy law, previous schemes/frameworks were designed to emulate desirable features of a bankruptcy law, and with the enactment of a comprehensive bankruptcy law, the need for specific guidelines emulating bankruptcy laws was obviated.

3.29 When asked if the Joint Lending Forum was an effective platform for Resolution of NPAs in power sector and to what extent it helped in making the NPA standard assets, the Ministry of Finance replied as under:

"RBI has stated that the Joint Lenders' Forum (JLF) was envisaged to serve as a platform for efficient information-sharing and decision-making, and that the existence of such a platform does not have any bearing on the efficacy of the resolution plans adopted in each case. RBI has further stated that while it no longer recognizes a JLF, if lenders so desire and find it useful, they can form an informal JLF."

3.30 The Committee were apprised that according to the Resolution Plan, as soon as there is a default in the borrowers entity account with any lender, all lenders – singly or jointly – shall initiate steps to cure the default. When asked about the rationale behind this provision when there is no platform like Joint Lender Forum, the Ministry of Finance stated as under:

"According to RBI, the new framework does not seek unanimity as it gives complete discretion and flexibility to banks to formulate their own ground rules in dealing with borrowers who have exposures with multiple banks, and lenders can implement resolution plans tailored to their internal policies and risk appetites. However, if at the end of the 180 days of first default, the borrower is in default to a bank, that bank is mandated to refer the case under IBC."

E. Committee of Creditors (CoC)

3.31 In response to a query regarding the composition of Committee of Creditors, the Ministry of Finance submitted that the CoC comprises all financial creditors of the corporate debtor.

3.32 It has been alleged that the creation, constitution and the constituents of the Committee of Creditors are against the principle of natural justice as in all likelihood Committee of Creditors may adopt a scoot approach so as to absolve themselves of

their accountability. When asked about the details of the constitution of Committee of Creditors and the purpose behind creation of CoC and if the constituents of Committee of Creditors will be helpful in any objective analysis and fair assessment of the value of NPA, the Ministry of Finance stated as under:

"The Committee of Creditors has been specified under Sec 21 of the Insolvency and Bankruptcy Code (IBC) 2016. Sec 21 reads as under:

Committee of creditors

(1) The interim resolution professional shall after collation of all claims received against the corporate debtor and determination of the financial position of the corporate debtor, constitute a committee of creditors.

(2) The committee of creditors shall comprise all financial creditors of the corporate debtor:

Provided that a related party to whom a corporate debtor owes a financial debt shall not have any right of representation, participation or voting in a meeting of the committee of creditors.

(3) Where the corporate debtor owes financial debts to two or more financial creditors as part of a consortium or agreement, each such financial creditor shall be part of the committee of creditors and their voting share shall be determined on the basis of the financial debts owed to them.

(4) Where any person is a financial creditor as well as an operational creditor,--
(a) such person shall be a financial creditor to the extent of the financial debt owed by the corporate debtor, and shall be included in the committee of creditors, with voting share proportionate to the extent of financial debts owed to such creditor;
(b) such person shall be considered to be an operational creditor to the extent of the operational debt owed by the corporate debtor to such creditor.

(5) Where an operational creditor has assigned or legally transferred any operational debt to a financial creditor, the assignee or transferee shall be considered as an operational creditor to the extent of such assignment or legal transfer.

(6) Where the terms of the financial debt extended as part of a consortium arrangement or syndicated facility or issued as securities provide for a single trustee or agent to act for all financial creditors, each financial creditor may--

(a) authorise the trustee or agent to act on his behalf in the committee of creditors to the extent of his voting share;

(b) represent himself in the committee of creditors to the extent of his voting share;

(c) appoint an insolvency professional (other than the resolution professional) at his own cost to represent himself in the committee of creditors to the extent of his voting share; or

(d) exercise his right to vote to the extent of his voting share with one or more financial creditors jointly or severally.

(7) The Board may specify the manner of determining the voting share in respect of financial debts issued as securities under sub-section (6).

(8) All decisions of the committee of creditors shall be taken by a vote of not less than seventy-five per cent. of voting share of the financial creditors:

Provided that where a corporate debtor does not have any financial creditors, the committee of creditors shall be constituted and comprise of such persons to exercise such functions in such manner as may be specified by the Board.

(9) The committee of creditors shall have the right to require the resolution professional to furnish any financial information in relation to the corporate debtor at any time during the corporate insolvency resolution process.

(10) The resolution professional shall make available any financial information so required by the committee of creditors under sub-section (9) within a period of seven days of such requisition."

3.33 On being asked about the powers conferred on Committee of Creditors, the Ministry of Finance stated:

"As per MCA, when default is established, the Adjudicating Authority (AA) admits the application and appoints an Interim Resolution Professional (IRP). The IRP runs the operations of corporate as a going concern up to 30 days, during which he collects claims and based on the same, forms a Committee of Creditors (CoC). The corporate moves away from 'debtor-in-possession' to 'creditor-in-control'. CoC appoints a resolution professional to run the corporate as a going concern. CoC, in its first meeting, decides either to appoint the IRP as Resolution Professional (RP) or to replace the IRP with Insolvency Professional as RP. It endeavors to resolve insolvency through a resolution plan. It invites resolution plans from credible people. If it approves a resolution plan within 180 days with 75% majority, the resolution professional submits the plan to the AA for approval. If the AA does not receive a resolution plan within the scheduled time or does not approve a resolution plan, the corporate debtor is liquidated.

During the corporate insolvency resolution process, the RP shall not take any of the following actions without the prior approval of CoC, namely:—

- (a) raise any interim finance in excess of the amount as may be decided by CoC;
- (b) create any security interest over the assets of the corporate debtor;
- (c) change the capital structure of the corporate debtor, including by way of issuance of additional securities, creating a new class of securities or buying back or redemption of issued securities in case the corporate debtor is a company;

- (d) record any change in the ownership interest of the corporate debtor;
- (e) give instructions to financial institutions maintaining accounts of the corporate debtor for a debit transaction from any such accounts in excess of the amount as may be decided by the committee of creditors in their meeting;
- (f) undertake any related party transaction;
- (g) amend any constitutional documents of the corporate debtor;
- (h) delegate its authority to any other person;
- (i) dispose of or permit the disposal of shares of any shareholder of the corporate debtor or their nominees to third parties;
- (j) make any change in the management of the corporate debtor or its subsidiary;
- (k) transfer rights or financial debts or operational debts under material contracts otherwise than in the ordinary course of business;
- (l) make changes in the appointment or terms of contract of such personnel as specified by the committee of creditors; or
- (m) make changes in the appointment or terms of contract of statutory auditors or internal auditors of the corporate debtor."

3.34 When asked if there is any provision wherein Committee of Creditors can allow equity to be paid before the debt, the Ministry of Finance stated that there is no provision wherein CoC can allow equity to be paid before the debt.

3.35 When asked about the safeguards that have been introduced in IBC to preclude the possibility of Committee of Creditors colluding with the possible purchaser/owner of the liquidated property/power plant, the Ministry of Finance Stated as under:

"As per amendments made recently to the IBC, any person who has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, which is classified as non-performing asset are not allowed to participate in the bidding process as per Sec. 29A. Sec 29A reads as under:

29A. A person shall not be eligible to submit a resolution plan, if such person, or any other person acting jointly or in concert with such person—
(a) is an undischarged insolvent;
(b) is a wilful defaulter in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949;

(c) has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non-performing asset in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949 and at

least a period of one year has lapsed from the date of such classification till the date of commencement of the corporate insolvency resolution process of the corporate debtor:

Provided that the person shall be eligible to submit a resolution plan if such person makes payment of all overdue amounts with interest thereon and charges relating to non-performing asset accounts before submission of resolution plan;

(d) has been convicted for any offence punishable with imprisonment for two years or more;

(e) is disqualified to act as a director under the Companies Act, 2013;

(f) is prohibited by the Securities and Exchange Board of India from trading in securities or accessing the securities markets;

(g) has been a promoter or in the management or control of a corporate debtor in which a preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction has taken place and in respect of which an order has been made by the Adjudicating Authority under this Code;

(h) has executed an enforceable guarantee in favour of a creditor in respect of a corporate debtor against which an application for insolvency resolution made by such creditor has been admitted under this Code;

(i) has been subject to any disability, corresponding to clauses (a) to (h), under any law in a jurisdiction outside India; or

(j) has a connected person not eligible under clauses (a) to (i).

Explanation.— For the purposes of this clause, the expression "connected person" means—

(i) any person who is the promoter or in the management or control of the resolution applicant; or

(ii) any person who shall be the promoter or in management or control of the business of the corporate debtor during the implementation of the resolution plan; or

(iii) the holding company, subsidiary company, associate company or related party of a person referred to in clauses (i) and (ii):

Provided that nothing in clause (iii) of this Explanation shall apply to—

(A) a scheduled bank; or

(B) an asset reconstruction company registered with the RBI under section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; or

(C) an Alternate Investment Fund registered with the Securities and Exchange Board of India."

F. Roles and Responsibilities of the Banks/Lenders

3.36 When asked about the details regarding the provisioning norms for secured assets that are referred to or are likely to be referred to NCLT, the Ministry of Finance stated as under:

"The provision required to be maintained by banks in respect of borrowers referred for insolvency resolution process through NCLT as a result of the revised guidelines would be governed by the asset classification of each borrower with a particular bank. For secured assets that turn NPAs, extant provisioning norms are as follows:

Asset Classification	Provisioning requirement as a per cent of outstanding
Substandard Assets (NPA for less than or equal to 12 months)	15%
Doubtful Assets (Substandard for 12 months)	
Doubtful up to 1 year	25%
Doubtful for more than 1 year but not more than 3 years	40%
Doubtful for more than 3 years	100%
Loss assets (assets considered uncollectible)	100%

3.37 When asked if the Government had prescribed any guidelines for the banks or financial institutions with regard to financial cap on the cost per megawatt of Power plants and if not, what are the reasons for such open and vast maneuvering landscape given to the banks for grant of loan, the Ministry of Finance stated as under:

"Financing of projects, including in the power generation sector is a commercial decision of Bank and governed by their board approved policy encompassing all the relevant factors i.e. viability of the power project through Techno Economic Viability (TEV) Study / Detailed Project Report (DPR) / vetting by independent engineers (Lenders Independent Engineers) etc."

3.38 When asked if it can be inferred that the higher cost per megawatt is a willful exercise of gold-plating and if the banks were issued any tocsin in this regard for self-

regulation with regard to the sanction of large amount as loans, the Ministry of Finance stated as under:

"Banks Boards lay down policies for the bank to follow, monitor performance, review adherence to policies and oversee compliance. Further, as per RBI, guidelines are issued by it with regard to credit exposure norms relating to single and group borrowers (entity and sector wise). Moreover, each Bank has its own board approved lending policy, policy for ascertaining staff accountability etc. as per extant RBI guidelines. RBI in its supervisory capacity determines the risk profile of each banks off-site surveillance, targeted on-site inspections, structured meetings with banks, commissioned external audits, specific supervisory directions and new policy notices in conjunction with close monitoring through a Monitorable Action Plan (MAP) followed by enforcement action, as warranted. Reserve Bank of India checks the implementation and enforcement of the guidelines issued by it across all banks during the Annual Financial Inspection (AFI) and Risk Based Supervision (RBS). The non-compliances observed by the banks are communicated to the banks and the banks are asked to comply with the guidelines making required provisions, putting in place requisite monitoring and control mechanisms to avoid such non-compliances in future. Further, compliance to RBI instructions on income recognition, asset classification and provisioning norms are verified by banks' internal audit, concurrent audit and statutory auditors."

3.39 When asked if any assessment has been made with regard to hair-cut that the banks are likely to have following the IBC and how the Government propose to compensate the banks for huge hair-cut as a result of IBC, the Ministry of Finance stated as under:

"In this regard, RBI has stated that the resolution envisaged under IBC approximates a market-driven process, wherein the true value of an asset is discovered through a public bidding process, and that haircuts are a natural consequence of recognizing the true value of investments."

3.40 When asked if there should be some limit on the extent of the amount which can be allowed to be taken as a hit (hair -cut) by the banks/financial institutions, the Ministry of Finance stated:

"IBC 2016 lays down a process for approval of a resolution plan by the Committee of Creditors provided it confirms with the stipulations laid down in Sec 30(2) of the IBC. Such a plan is thereafter required to be approved by the Adjudicating Authority."

3.41 When asked about the details of the collaterals obtained from private power developers for the loan sanctioned to them, the Ministry of Finance stated as under:

"The securitization including collateral security is governed by the extant guidelines. Usually, Project Financing is of non-recourse nature and done inter alia on the basis of projected cash flows of the Project being funded, primary security (project assets), pledge of paid up equity shares of the promoter etc. Banks take their commercial decisions as per extant policy."

3.42 When asked if any of collateral guarantees had been confiscated or encased by the banks/ financial institutions, the Ministry of Finance stated that in some cases, the pledge of shares has already been invoked.

3.43 On being queried about the status of non-banking financial institutions which have invested money in various sectors of the economy and are afflicted with the problem of NPA, the Ministry of Finance stated as under:

"As per MCA, non-banking finance companies (NBFCs) may fall under the definition of financial creditors under IBC. Under section 7(1) of IBC, a financial creditor, either by itself or jointly with other financial creditors, may file an application for initiating corporate insolvency resolution process against a corporate debtor before the Adjudicating Authority when a default has taken place. Once the resolution process is initiated, the financial creditor joins the Committee of Creditors, which either approves resolution plan for insolvency resolution of the corporate debtor or liquidates the corporate debtor."

3.44 When asked about the rationale behind absolving the bankers or the other officers responsible for sanctioning the loan which later turned out as NPA and if any accountability has been visualized in the entire process beginning from SMA to auction following the decision of NCLT, the Ministry of Finance stated as under:

"The Banks carry out a detailed Staff Accountability study in all cases of NPA Loans and where ever any deviation from Bank's extant guidelines are found, suitable penal action is taken against the officials responsible for sanctioning the loan. Recently, Government has directed that in all cases involving NPAs of Rs. 50 Cr. and above examination for fraud is to be carried out on mandatory basis."

IV

IMPACT OF RBI'S REVISED FRAMEWORK ON NPAs IN THE ELECTRICITY SECTOR

4.1 The Committee were apprised that about 66 GW of conventional IPP capacity is under various degrees of financial stress in the Electricity Sector which includes 54,805 MW of Coal based Power (44 Assets), 6831 MW of Gas based Power (9 Assets) and 4571 MW of Hydro Power (13 Assets).

4.2 It was submitted by the Ministry of Power that the following assets have already been referred for Chartered Insolvency and Restructuring Professional (CIRP) under IBC:

- Ind- Barath Energy (Utkal) Ltd
- Lanco Amarkantak Power Ltd
- Lanco Teesta Hydro Pvt. Ltd
- Lanco Vidarbha Thermal Power Ltd
- Ind- Barath (Madras) Ltd
- Lanco Babandh Power Ltd

4.3 The Ministry of Power submitted that the outcomes of RBI's Revised Framework with respect to the Electricity Sector are following:

"Major Lenders to Power Sector IPPs have displayed significant accretion to NPAs:

- Slippages Exceed Rs 1.8 lakh crores in Q4 – FY 2018
- Slippages in 6 major lenders exceed Rs 61,000 crores on account of revised RBI framework."

4.4 On being asked if the Ministry of Power and other stakeholders were consulted before finalizing the Revised Framework for Resolution of Stressed Assets, the Secretary, Ministry of Power deposed that the RBI had no formal consultations with the Ministry of Power on this.

4.5 It was stated before the Committee that the Lender's actions under IBC in order to resolve the stressed assets in the Electricity Sector are inflicted with certain limitations such as:

- "i) Sub-optimal Bid Outcome -
 - 5 to 6 Change in Management bids have been conducted by lenders.
 - Bids of Rs.1.02 Crore per MW to Rs. 2.5 Crore per MW.
 - 46% to 19% recovery of principal.
- ii) Small buyer universe-
 - Asset specific risks are not mitigated currently.
 - Significant undisclosed liabilities risk buyer returns.
- iii) Weak commercial framework-
 - Many commissioned assets without adequate PPA / FSA.
 - Difficult to determine Market value for such assets."

4.6 Giving an example of Sub-Optimal Bid Outcome, CMD, Power Finance Corporation deposed before the Committee that:

"The Chhattisgarh Project is a running project under operation. It is a good project. Yet there is 70 per cent hair-cut. Against the debt of Rs.8300 crore, we have received the offer of Rs.2500 crore only."

4.7 Regarding Sub-Optimal Bid Outcome, the Independent Power Producers also stated that:

"Abhijit Group had a power plant in Jharkhand. It was bid out. It got a bid of Rs. 35 lakh per MW whereas a new plant would need five crore rupees. So, there are no bidders in the system. Forcing to sell under the circular or NCLT will end up having a big sacrifice of public money without having any benefit to the economy or the Electricity sector because the new promoter will have the same problem. Meenakshi Energy got restructured in such a manner and again, it is in stress because if the existing promoters cannot solve the systemic issues, how the new promoter will solve them."

4.8 On being asked if the measures introduced in fresh RBI guidelines would help the electricity sector to overcome its NPA problem, the Ministry of Finance stated as under:

"Certain representations have been received regarding the Revised Framework on Resolution of Stressed Assets from Indian Banks' Association and other stakeholder organizations, expressing concern regarding issues like one day default, referring of case under IBC at the end of 180 days of first default, application of revised guidelines in the cases where SDR/ S4A/ Overseas SDR have been invoked but not implemented, withdrawal of circulars regarding flexible structuring of loans to infrastructure and core industries, applicability of the framework for overseas borrower, timelines for reference of large accounts to IBC in case of default during specified period, implementation of the RP within 180 days, *etc.* These concerns have been referred to RBI.

With regard to whether the fresh RBI guidelines would help the electricity sector overcome its NPA problem, RBI has stated that though the causes of stress may vary, the notional principles of resolution are sector-agnostic."

4.9 When asked about the impact of new RBI guidelines on the Electricity Sector as a whole and 34 stressed projects in particular, the Ministry of Finance stated as under:

"As per RBI, the immediate impact of the revised framework would be withdrawal of standstill in asset classification for accounts in which the previous resolution schemes had been invoked but not implemented. In these accounts, which may include a few accounts from the 34 projects identified in the 37th Report of the Hon'ble Standing Committee on Energy, the asset classification would be as if the previous schemes had never been invoked in the first place. However, another impact of the circular would be in encouraging the banks to find a resolution within 180 days from March 1, 2018. If the promoters and banks fail to find a viable resolution within 180 days, banks have to file insolvency application against those borrowers, where aggregate exposure of lenders is Rs. 20 billion and above.

Of the 34 identified stressed asset cases, applications for admission of cases under IBC, 2016 have already been filed with respect to 9 cases."

4.10 In response to same query as above, the Ministry of Power stated as under:

"Implication of the RBI circular is that:

- The stressed power project assets have to draw and implement Resolution Plan within 180 days, else approach NCLT under IBC, which means several stressed assets in power sector will be restructured including exploring change of ownership either under resolution plan (within 180days) or under IBC in the immediate near term.

- Earlier Loan Accounts were becoming NPA after 90 days but now, under revised framework, framing of Resolution Plan is incumbent immediately after default.
- Even in case of default for a single loan the Resolution Plan of the entire Company covering all Lenders is required."

4.11 Explaining the non-suitability of new RBI guidelines for the Electricity Sector,

Independent Power Producers submitted that:

"It appears that RBI has not considered the Macro-Economic issues faced by the power sector, regulated nature of the business and the fact that Electricity features in the concurrent list of the seventh schedule of constitution before issuing the 12th Feb'18 policy. This policy has served a death knell on revival prospects of many under construction projects stressed for various reasons beyond their control as power sale is completely regulated unlike other sectors like Steel, Cement and Manufacturing.

The RBI Circular also treats heavily regulated sector like Electricity on par with unregulated sectors which is arbitrary since it equates un-equals. By equating solutions of stressed assets applicable for other sectors with that of power sector, the new policy inadvertently proceeds to damage the public investment in banks it seeks to protect by this new policy.

There is also an anomaly in respect of the maximum period of DCCO extension possible and the maximum amount of escalation in the project cost allowed without down grading the account. While DCCO extension is possible for a maximum period of 4 (2+1+1) years in case of no change in management, a maximum of 6 years is allowed with change in management, the project cost (Non IDC) escalation is allowed only to the extent of 10% without down grading the account, which does not even provide for the inflation (5%/annum) and currency escalation (approx. 45% since 2010) for the 4-6 year period as the case may be."

4.12 Highlighting the need for synchronization between the RBI's Guidelines and

the resolution of the systemic issues of the Electricity Sector, the Chairman, SBI

deposed that:

"From the timeline point of view, even though the RBI circular has the complete framework but its implementation might not give enough results. The reason is, still we have problems with the coal supplies, PPAs – because many plants do not have PPAs, they have only partial PPAs. We have large regulatory recoverables. Unless these three are resolved, any amount of changes we do to the RBI framework would not pull the sector up. My request is, synchronize the implementation of those with the RBI circular."

4.13 Explaining the basis for seeking relief/exemption from the RBI circular dated Feb 12, 2018, the Independent Power Producers furnished that the power projects are stressed due to the following policy issues that are beyond the control of the developers:

"1. Complete Absence of PPA bidding: There is complete absence of planned power procurement by DISCOMS either through Long Term or through Medium Term. The last successful Long Term PPA bid won by a private developer was in the year 2014-15 when Kerala concluded PPAs for about 850 MW under the new DBFOO basis. Since then though many state DISCOMS like UP, AP and Telangana had conducted the bidding process, none of the bids have resulted in concluded PPAs. The Pilot scheme for 2500 MW launched by MoP is a good beginning. As individual states are not forthcoming to procure power, such pooled power procurement should be continued by central agencies at regular intervals at least for next 2 to 3 years till demand picks up owing to the various initiatives taken by Central Government. However, the provisions of the Pilot Scheme needs to be relooked into with regards to capping of fixed cost at an unrealistic value of 1 paise, guaranteeing off-take only to 55% and transfer of all escalation risks to sellers for the PPA duration, particularly when this scheme was introduced with a view to alleviate stress in the sector. Because of such unrealistic bid conditions, Tariff discovered under Pilot Scheme would be high when compared to recent annulled Long Term bids under DBFOO and hence DISCOMS may not be interested to avail this power defeating the whole purpose for which this power procurement scheme was launched.

Also these schemes will be helpful only if such Medium Term/Short Term PPAs are considered for aggregating the tied up capacity requirement by a company to avail CD/ED exemption benefits under Mega Policy.

Needless to mention, a viable Long Term PPA would not only protect the debt already disbursed but also encourages lenders for further disbursement and investors will also be interested.

2. Restrictions in Coal Usage Policy: The present policy framework of Linkage Coal is very restrictive and allows Linkage Coal only for Long and Medium Term PPAs, Linkage coal will not be supplied by Coal companies for Short Term PPAs. In the absence of Long Term or Medium Term PPA bids in the market, sale of power through Short Term is the only alternative for projects which are commissioned. Price discovery in Short Term too is on the basis of approved bidding guidelines by MoP hence, Coal may be supplied to existing linkage holders for Short Term PPAs. This will help in alleviating the stress in the sector for commissioned projects. But would not give much needed relief to under construction projects.

3. Disparity in PPAs between Government & Private Sector: The power procurement policy currently in place is skewed and does not provide a level playing field; it is discriminatory in nature and favours CG & State sector generators. IPPs are required to participate in competitive bidding to sell their capacity whereas, power producers of Central Generating and State follow the allocation route for capacity allocation and their tariff is determined through Section 62 (Pass Through) of the Act. Even, the recent proposed amendment in Tariff Policy seeks to perpetuate this different treatment. This discriminatory policy would be detrimental to attract any private investments into sector.

4. Thermal Power Cross Subsidizing Renewable: Transmission charges for renewable solar/wind power is Zero, whereas the cost of transmission infrastructure incurred on this account is 'Shared' by the Thermal sector, transmission charges are forced upon Thermal Projects which are not ready or supplying power because of various issues. The present policy with regards to sharing of entire transmission charges is discriminatory and growth of one sector is promoted at the expense of another, pushing the Thermal sector further into losses. Even though clean energy must be encouraged but this anomaly should be slowly abolished before 2020.

5. Mega Power Benefit: GoI had extended the time period by another 5 years in 2017 to secure PPA for a minimum quantum of 85% of the installed capacity and the extended deadline expires on Nov' 2021. In the present context when all under construction projects are in severe financial stress and there is reluctance on part of DISCOMS to enter into long term PPAs, the end date specified to avail the benefit may not be met with, resulting in withdrawal of financial benefits under Mega Power Policy leading to imposition of additional financial burden on these already stressed assets. Hence, there is a need to do away with the requirement of securing a minimum % of long term PPA to avail the benefit."

4.14 Explaining why the Electricity Sector should be treated differently with respect to the Resolution of the Stressed Assets, CMD, Rural Electrification Corporation while making a presentation before the Committee, deposed that:

"Power Sector is in a transition which is well known and we are really moving in from a low demand, low supply situation to a moderately high demand context. This is the transition period that needs to be managed. The RBI framework or the other issues that we have been talking about addresses only the financial issues. Of course, as a financial institution that is our major concern but it does not address a whole range of issues that are external to the financing matters.

We have to take into consideration two major important contexts. One is the need for a national energy security in the context of managing the transition in the power sector. (Second,) these stressed assets are national assets at the end of the day and need to be preserved, protected and conserved.”

4.15 Further, he stated that the IBC is generally focused on Capital Structure Resolution only and the sectoral challenges can not be addressed through IBC and thus the resolution may not be forthcoming as the Power Assets have challenges extraneous to the Capital Structure like:

- Shortages/ Non-availability of Coal
- Delayed Power Procurement by Discoms
- Regulatory Issues
- Long working capital cycle with Discoms
- Level playing field not offered

4.16 Elaborating about the need for a separate framework for Resolution of Stressed Assets in Electricity Sector, Independent Power Producers deposed that:

“RBI circular has not taken cognizance of the (ground realities of the Electricity Sector) and it is heavily framed in such a way that steel and all other industries have been put together and it tried to address every sector together. But electricity is a very highly regulated sector. So, comparing this sector with other sectors and putting the same framework may not work. So, what we feel is that there should be a separate framework as far as the power sector is concerned.”

4.18 Highlighting the problem in formulating a separate framework for Resolution of Stressed Assets in Electricity Sector, the Secretary, Department of Financial Services deposed that:

“The possibility of the similar demands (of exemption from RBI's Guidelines) from similarly placed sectors cannot be ruled out. It could be shipping, cement, and more particularly MSMEs. MSMEs are at a much worse situation at this stage than these projects and for a much lesser fault of theirs. This demand can come from all those sectors. So, should we have a separate sector-specific NPA resolution regime or an overarching regime?”

STEPS TAKEN BY THE GOVERNMENT

5.1 The Ministry of Power furnished that the Government has taken the following steps to resolve the stress in the Electricity Sector:

"A. Fuel linkages under SHAKTI:- Govt. on 17.05.17 approved new coal linkage allocation policy named SHAKTI (Scheme for Harnessing & Allocating Koyala Transparently in India). Under the scheme, auction of coal linkages for Independent Power Producers (IPPs) with PPAs based on domestic coal has been conducted on 12.09.2017. IPPs having PPA but no coal linkages have participated in the auction and linkages have been granted to 11549 MW capacity (10 projects) including five stressed projects of total 8490 MW capacity, and these projects have been resolved. Under B(i) provisions of SHAKTI policy, linkages have been granted to State/ Central Gencos-8870 MW for 10 projects. Further, CIL is likely to conduct auction of coal linkages to plants without PPA under clause B(iii) of SHAKTI scheme shortly.

B. Pilot project for procurement of 2500 MW power:- A pilot project has been launched for procurement of aggregated 2500 MW of power for three years (covered under medium term). PFCCL, the nodal agency has invited bids in line with the standard bidding documents issued by MoP for this pilot scheme. Bids for 2200 MW are received from 8 developers and 7 bidders(1900MW) have offered to match the lowest bid (Rs 4.24 /Kwh) The bidding formalities including signing of PPAs are expected to be completed by July 18.

C. Under recovery due to anomalies in Coal Escalation Index: Certain Generators were facing under recoveries due to anomalies in the coal escalation index published by DIPP. Now, CERC vide Notification dated June 1st, 2018 has amended 'Guidelines for determination of tariff by bidding process of power procurement by distribution licensee' to remove those anomalies and adopt a new series of Wholesale Price Index (WPI) in non-coking coal (G7-G14) w.e.f. April 2012. On the basis of the new Notification of CERC, the generators will be eligible for revised tariff w.e.f. 1st April, 2017 calculated on the basis of new series of WPI for non-coking coal (G7 - G14). This will largely take care of the issues of under recovery of the generator's dues.

Further, at present, there is a time lag of 12-18 months between the revision of tariff and the escalation in the prices of coal. The matter is under consideration of CERC and a staff paper has been issued on 10/4/2018. Public hearing has been conducted on 5/6/2018. The Commission is likely to decide the matter soon.

D. Ministry has issued direction to CERC under 107 of The Electricity Act, 2003 on 30TH May to allow pass through of increase in the cost of generation due to installation of FGDs.

E. Ministry of Power vide letter dated 30.05.2018 has proposed amendments in Tariff Policy, 2016. As per Section 6.2.4 of the proposed Tariff Policy it is stated that "After the award of bids, if there is any change in domestic duties, levies, charges, surcharges, cess and taxes imposed by Central Government, State Governments/Union Territories or by any Government instrumentality leading to corresponding changes in the cost, the same may be treated as "Change in Law" and may unless provided otherwise in the PPA, be allowed as pass through. The Appropriate Commission shall lay down the principle and procedure for the same.

F. A new App "PRAAPTI" (Payment Ratification and Analysis in Power Procurement for bring in the transparency in payment of Generators) has been launched by the Ministry to bring more transparency in the system of payment of DISCOMS. The Generators are being actively encouraged to feed in their invoicing and payments data. This portal would be expanded to include Transmission as well as Renewable Generators as well.

G. DISCOM Reforms: The efforts of the Ministry for reforms in the distribution system has also started bearing fruits. AT&C losses has come down from 20.7% in FY 2016 to 20.2% in FY 2017-18 which is likely to come down further to less than 20% (19.08%) in FY 2018. In the first 9 months of FY 2018, 17 States have reduced their AT&C losses as compared to that in the first 9 months of FY 2017.

Similarly, the difference between ACS and ARR has come down from Rs.0.59/kWh in FY16 to Rs. 0.41/kWh in FY 17. It is likely to further come down below 25 paise in FY 2018.

The improvement of financial health will ease out the situation of payment to the generators and also increase the purchasing power of the DISCOMs to buy more power.

H. Steps taken to reduce the cost of generation: Reduction in the cost of generation is likely to improve the ability of DISCOMs purchasing more powers and thus create more demand for power. Government has taken various steps to reduce the cost of generation which are as under:-

- **The introduction of third party sampling by CIMFR:** The Government has started Third Party Sampling of Coal at both, loading and unloading end of Generators. There has been considerable improvement in the quality of coal supplied by the Coal India Limited. On an average, due to improvement in coal quality and improvement in the efficiency of plants, there has been a reduction of 6.5% in specific coal consumption by coal based thermal power plants (from 0.69 kg/kwh in 2013-14 to 0.645 kg/kwh in 2017-18).

- The coal linkage have been rationalised to optimise the cost of transportation of coal and thus reducing the cost of generation leading to savings of appx Rs. 900 crore by NTPC .
 - Flexibility utilization of domestic coal has also resulted into substantial savings in the cost of generation. Annual saving of Rs. 468 Cr. by NTPC
 - Regarding of mines by Coal controller has resulted in a cost saving of 686 Cr to NTPC alone for year 2017-18.
- These saving has been passed on to the DISCOMs.

I. Other measures

- States have been impressed upon to make use of the policy of flexibility in utilization of domestic coal for reducing the cost of power generation i.e. use of linkage coal of State Gencos in IPPs& get cheaper power generated from such coal. Gujarat and Maharashtra have already operationalised PPAs 500 MW and 400 MW, respectively through this mechanism. Gujarat and Maharashtra has further indicated to use this policy and expected bidding by them is around 2800MW. Other States have also requested to make use of this policy. This will help IPPs to commence generation of power.
- **Connecting all households under “Saubhagya”** is likely to increase demand for electricity in the country.

Above measures taken by Ministry of power, Government of India will ease the stress on Generation projects."

5.2 When asked if any concrete plan has been drawn by the Government in the light of the latest guidelines of RBI for Resolution of these NPAs, the Ministry of Finance stated as under:

"Govt. has been making concerted efforts to resolve the stressed assets situation. As informed by the Ministry of Power, various steps have been undertaken to improve operations by units in the power sector. These inter alia include fuel linkages under SHAKTI, Pilot project for procurement of 2500 MW Power, Notification by CERC making generators eligible for revised tariff calculated on the basis of new WPI for non-coking coal; pass through of increase in the cost of generation due to installation of FGDs (flue gas desulphurization), new App “PRAAPTI” (Payment Ratification and Analysis in Power Procurement for bring in the transparency in payment of Generators) to bring in more transparency in the system of payment of DISCOMS, DISCOM Reforms under UDAY, Introduction of third party sampling by CIMFR for improving coal quality, connecting all households under “Saubhagya” etc.

5.3 It was submitted before the Committee that the State Bank of India has initiated SAMADHAN in view of RBI's Revised Framework. 10 Electricity Sector Assets have already been referred under this scheme. Some of the salient features of SAMADHAN includes:

- Sustainable debt to be determined based on rating of RP4,
- Unsustainable debt to be converted into equity,
- Lenders to keep significant equity holding in the project,
- Investor to take 51% stake in project along with sustainable debt,
- Investor to be selected through competitive bidding.

5.4 The Committee were apprised that the Rural Electrification Corporation has formulated PARIWARTAN as a multi-track approach that focuses on recovery, value-enhancement and quick disposal of stressed assets wherein asset warehouse may be established to protect value and revitalize assets. Some of the features of PARIWARTAN includes:

- Preserve potentially viable assets under PARIWARTAN ,
- Provide institutional support at highest level to enhance value,
- Dispose assets at a pre-defined commercial structure level (say a 60% PPA & Fuel arrangement),
- State Gencos to be encouraged to take over such assets,
- Appointment of specialized credible players, like NTPC, to complete last mile construction
- Meet last mile funding requirement of the projects,
- Infuse capital to meet the working capital requirement of the assets,
- Will outsource O&M / Contractual services to NTPC and / or any other credible player through a transparent process,
- In house team of commercial experts to be recruited and built as an institution,
- Investment committee to approve warehousing and monitor implementation,
- On receipts of sale proceeds, warehousing receipts shall be encashed by PARIWARTAN net of a suitable incentive.

5.5 It was also submitted that the asset acceptance criteria under PARIVARTAN shall be determined by the Board of Directors in consultation with Investment Committee and indicative Asset Acceptance Criteria shall include:

- a. "Fundamental competitiveness of the asset,
- b. Ability to enter into PPA/ FSAs,
- c. Extent of equity ownership enforceable by lenders,
- d. Revitalization Potential,
- e. Low outstanding operational creditor liabilities."

5.6 The Capital Structure of PARIWARTAN, as furnished by the Rural Electrification Corporation, is as below:

"i) **Likely Equity Participants** - Key power sector players and large lenders can be equity participants.

- *Initial Participants*

- Power sector lenders to float the Company with basic capital
- NTPC/ PFC/ REC/ SBI/PNB/Axis/ICICI/ Bank of Baroda to be invited for equity participation .

- *NIIF/ Private Investors*

- Government to evaluate role of private sector investors/ NIIF in the 'PARIWARTAN' as equity investors

ii) **Capital Requirements** - PARIWARTAN Capital requirements are in a phased manner.

- *Phase-I*

- PARIWARTAN accepts operational assets only
- Capital requirements of INR 500 Crore to 1000 Crore of equity
- Capital requirement largely for margin money for working capital

- *Phase-II*

- PARIWARTAN accepts under construction assets
- Capital requirements of INR 1500 Crore to INR 2000 Crore
- Deployment of capital towards last mile equity

iii) **Lender Support** - Debt Support required from lenders for asset revitalization.

- *Working Capital*

- Sanction of working capital limits to enable plant operations
- Margin money to be provided by PARIWARTAN
- *Last Mile debt funding*
 - For assets under construction, lenders to provide debt facilities towards completion
 - Smaller participating lenders may cede priority charge to facilitate plant completion in the event of inability to provide completion debt."

5.7 CMD, Rural Electrification Corporation deposed that to facilitate the implementation of PARIWARTAN, the following relaxation are required from RBI:

- "Sunset Date of Warehousing Receipts should be 60 months,
- The ARC regulations may need to be amended as below to facilitate the implementation:

The ARC may be exempted from the requirement of "SC/RC shall by transferring funds, invest a minimum of 15% of the SRs of each class issued by them under each scheme on an ongoing basis till the redemption of all the SRs issued under such scheme."

The ARC may be exempted from the requirement of "valuation procedure ensuring that the assets acquired have realisable value which is capable of being reasonably estimated and independently valued"

The PARIWARTAN ARC may be exempted from the requirement of "Every SC/RC shall obtain initial rating/ grading of SRs from an approved CRA within a period of six months from the date of acquisition of assets and declare forthwith, the NAV of the SRs issued by it. Thereafter, SCs/RCs will get the rating / grading of SRs reviewed from an approved CRA as on June 30, and December 31 every year and declare the NAV of SRs forthwith, to enable the QIBs to value their investment in SRs. For arriving at NAV, SC/RC shall get the SRs rated on 'recovery rating scale' and require the rating agencies to disclose the rationale for rating."

5.8 After having a detailed discussion, as per the direction of Hon'ble High Court, with all the stakeholders like Ministry of Power, Ministry of Coal, Ministry of Petroleum and Natural Gas, Reserve Bank of India, Rural Electrification Corporation, National Thermal Power Corporation, Independent Power Producers Association, etc.,

the Secretary, Department of Financial Services, presented an overview of the problem of NPAs in the Electricity Sector before the Committee, as stated below:

“As I have understood the entire thing after hearing it for the first time from everybody involved, I would like to divide them into four major verticals. The first vertical essentially is the economic growth, the increasing needs of power, and the power being the engine to fuel the growth of the country, the necessity of not allowing any asset to go waste to the extent possible. That is the first vertical. The first objective of whatever decision we take is that the power needs of not only the present which are increasing but also the future must be taken care of before any decision is taken.

The second vertical is the sectoral problems within the power sector which are multifarious and multi-agency. It includes coal, fuel, gas, Discoms, PPAs, transmission lines, imported coal v/s domestic coal, boiler capacity, etc. It has a whole lot of sectoral issues within which the second vertical is to be looked at. The second vertical also has a very specific further sub-vertical which is that it is managed within some monopolies, some private space and in some form the customer interest. So, when we reconcile the sectoral aspects it has to deal with also the private space, the space occupied by the monopolies of the PSUs and also how the customer benefits by the decisions we take.

The third vertical is the overall credit culture, the promoters and the health of these power plants under stress, which we are talking about. Some are already NPAs and some are going to be NPAs. So, we have issues of gold-plating, of how much of this stress is accounted towards that and how much is towards the sectoral problems which the sector has.

The entire credit culture in this country is under a tremendous change. That is, if you are taking credit, you have to be responsible; if you are in the business of giving credit, hedge your risk and be responsible. And if somehow because of some reason you are not able to do that, then the Government under the Parliamentary legislation has introduced the fourth vertical which is an exit route of the IBC.

So, the essential question is, how does one weave all these four verticals together and reach to a solution without disturbing anyone within the constraints of the sectoral issues which are not going to be solved in the short term, within the objective of saving these power projects, apportioning the kind of responsibilities on the promoter to the extent it is there, to the other extraneous sectoral issues which are there and keeping the sanctity of IBC in picture.”

Part – II

Observations/ Recommendations of the Committee

INTRODUCTORY

1. The Committee note that the RBI has issued Revised Framework with a view to resolve Stressed Assets in all the Sectors of the Economy. The Electricity Sector is one of the sectors which have been affected by this Framework. Under the New Guidelines, the definition of the default has been revised with far reaching consequences. The Committee also note that the New Guidelines of the RBI will only deepen the crisis of the Electricity sector as its leitmotif is distinct, peculiar and sector specific without any generic underpinning with other sectors of the Economy. The Committee observe that the efforts of the private players in developing the Electricity Sector of this Country has not been given due recognition otherwise their genuine constraints that have led to stress might have been addressed. The Committee feel that the seminal significance and epochal importance of this sector has been conveniently given a go by. The committee, therefore, recommend that the Government should be sensitive to this vital sector of our economy which acts as a core to shoulder the other engines of the economy and thus the Committee postulate that the specifics and realities of the sector should be taken into account for appropriate modulation of the RBI Guidelines.

2. The Committee note that the Reserve Bank of India in exercise of its power under relevant sections of the Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934, has issued a Revised Framework for Resolution of Stressed Assets. The Committee feel that as a result of this Revised Framework, the Electricity Sector has been forced towards NPA. During deliberations with the relevant quarters of the Government and all the other stakeholders, the Committee have been informed that the causes for stress in different sectors are different, however, the nominal principles governing Resolution of the Stress

are the same irrespective of the sector. The Committee observe that the one of the objectives of the Revised Framework is to ensure prompt action to cure stress in a borrower's account as soon as default takes place. The Committee find that the nominal principles for resolution are more chimerical than practical as on the one hand, it is acknowledged that reasons for stress are not identical while on the other hand similar and identical tools are taken recourse to, to remedy the malady. According to the Committee, this is vapid and capable of crippling the Electricity Sector. The Committee, therefore, recommend that appropriate, relevant and sector specific measures should be explored to address the issue. The committee, *per-se*, are not averse to the idea of cure but it should be efficacious enough to energize the sector and not to extirpate it.

STRESSED/NON-PERFORMING ASSESTS IN ELECTRICITY SECTOR

3. The Committee note that the high rate of NPA in Indian Banks is sector specific phenomena and most of the non-performing loans are concentrated in few sectors viz. infrastructure, power, iron, steel, textile etc. and the reasons of stress in these sectors are separate and varying. The Committee observe that for Power Sector, factors like coal linkage related issues, delay in implementation of projects due to various reasons, non-availability of fuel, delay in land/environment clearances, inability of promoters to infuse additional funds, etc. have aggravated the problem and weak financial health of Distribution Companies (DISCOMS) have led to substantial increase in receivables of borrowing groups (i.e. receivables of Power Generating Companies), thus impacting their liquidity position. The Committee also observe that the Government have accepted that the reasons responsible for stress in Power Sector are at variance with the reasons responsible for stress in other sectors of the Economy. But even after acknowledging the differentials in reasons for sectoral sickness, uniform principles of resolution have been introduced across the sectors and this has been done on the premise that ultimately any negotiation of debt is a restatement of financial contract. The

Committee have been apprised that given the sector agnostic basic principles of resolution, revised framework provide a harmonized and flexible approach. However, the Committee are not convinced with the reasons given by the Government to justify their formula for Resolution of stress because different ailments can be cured only with ailment specific remedies and if a single remedy is taken as panacea for all maladies and applied uniformly all across, it is bound to be counter productive and is sure to aggravate the problem. The Committee, therefore, recommend that instead of adopting a sector agnostic approach for stress Resolution, more penetrative and sector friendly measures should be adopted.

RBI'S REVISED FRAMEWORK FOR RESOLUTION OF STRESSED ASSETS

4. The Committee note that the Reserve Bank of India substituted the previous guidelines with a harmonized and simplified generic framework for resolution of stressed assets in view of the enactment of the Insolvency and Bankruptcy Code, 2016. Although the new guidelines have been termed as harmonized and simplified generic framework, yet they are far from being so. Prior to these guidelines, an asset was classified as NPA if a loan or an advance where interest or installment of principal remains overdue for a period of 90 days in respect of term loan. Similarly, stressed assets were accounts where there has been delay in payment of interest and/or payment as against the repayment schedule on account of financial difficulties of the borrower. Under the previous framework, failure of an asset to serve its debt obligation within the prescribed time was taken to be symptomatic of an incipient stress of potential NPA and consequently, corrective measures of various grades i.e. rectification, restructuring and recovery were the options keeping in view the totality of the situation. However, the new regime have dispensed with all such measures and any failure beyond the duration of SMA (Special Mention Accounts) will directly and immediately invoke the provisions of resolution plan, making the revival extremely difficult. The committee, therefore,

recommend that in the interest of the economy in general and the Electricity Sector in particular, the revised guidelines should be “harmonized and simplified” in the real sense.

5. The Committee note that the framework which was in vogue prior to issuance of these guidelines by RBI was more generic, sector friendly and harmonized. The previous Guidelines, *inter-alia*, included the framework of revitalizing the stressed assets, corporate debt restructuring scheme, flexible structuring of existing long-term project loans, strategic restructuring, debt restructuring scheme, change in ownership outside SDR, scheme for sustainable structuring of stressed assets and the Joint Lenders’ Forum was an effective institutional mechanism for resolution of stressed accounts. However, these have all been withdrawn and replaced with more stringent guidelines unmindful of the problems of the Electricity Sector. The Committee are informed that the previous Guidelines have been withdrawn by the RBI as various special schemes for resolution introduced earlier were used by lenders more to address asset classification concerns rather than to affectively resolve the stressed assets and the enactment of a comprehensive Bankruptcy Law in the country has obviated the need for such specific schemes. The Committee feel that even if the previous schemes were used for the purpose of asset classification, they cannot be termed to be useless as asset classification and categorization are the basis for implementation of any of the schemes for restructuring. The Committee are of the view that one can bring new additions, replace old ones, modify existing ones, keeping in view the problems and their ramifications, but it should not be done in a cavalier manner, shorn of prevailing realities. The Committee express their anguish about the manner in which the entire exercise has been undertaken turning a Nelson’s eye towards the issues and necessities of the Electricity Sector. The Committee, therefore, strongly recommend that it will be more appropriate if a reasoned view and

seasoned approach are taken *vis-a-vis* the Revised Framework of RBI to emancipate the emaciated Power Sector.

6. The Committee note that the Revised Framework of RBI provide for early identification and reporting of assets, implementation of resolution plan, implementation condition for resolution plan, timelines for large accounts to be referred under IBC etc. It *inter-alia* stipulates that the lenders shall identify incipient stress in loan accounts immediately on default by classifying stressed assets as Special Mention Accounts as per the prescribed criteria. It also prescribes that all lenders must put in place Board-approved policies for resolution of stressed assets under this framework, including the timelines for resolution and as soon as there is a default in the borrower entity's account with any lender, all lenders - singly or jointly - are asked to initiate steps to cure the default. The Committee observe that the Resolution Plan (RP) may involve any actions/plans/reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities/investors, change in ownership, or restructuring. The Committee feel that the various options as introduced in the Resolution Plan are not consistent in their order for curing the stress and all of them can be jointly or severally invoked for resolving the stress. The Committee also note that one of the options provided is of restructuring which has been defined as an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty grants concessions to the borrower and Restructuring would normally involve modification of terms of the advances/securities, which may include, among others, alteration of repayment period/repayable amount/the amount of installments/rate of interest; roll over of credit facilities; sanction of additional credit facility; enhancement of existing credit limits; and, compromise settlements where time for payment of settlement amount exceeds three months. The Committee find that the restructuring is more generous and flexible concept as against the other options

like regularization of the account by payment of all dues by the borrower entity, sale of the exposure to other entities/investors, change in ownership etc. The Committee are of the opinion that the coinage of restructuring in resolution plan is hollow without having any serious meaning or business which only reflects the blurred vision of RBI in understanding and appreciating the problems. The Committee expect that clarity of thought and transparency in approach should be the guiding factor to streamline and strengthen the sector squirming under ineluctable hardships.

7. The Committee note that the implementation conditions of the resolution plans are very stringent as the process of Resolution Plan is set in motion on default of debt service obligations even by a day. The Committee also note that the definition of default has been revised and the same has been aligned to the definition of default given in IBC. The Committee observe that the objective of the Revised Framework is to ensure prompt action to cure stress in a borrower account as soon as default takes place and the Resolution Plan should be implemented within a specified timeline of 180 days from the date of first such default failing which lenders shall have to file insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016(IBC) within 15 days from the expiry of the said timeline. The committee have been apprised that finding an optimal solution exactly in 180 days is almost impossible and if no road blocks come in the way, at least 231 days are required to complete the process which includes preparation of bidding documents, technical and financial operations, invitation of bids, evaluating them and creating security etc. The representatives of the banks/lending institutions also echoed the same sentiments and stated that in case of power projects, 12 months are needed for a smooth and efficient resolution. The Committee feel that going by the prescribed timelines, every stressed project of the Power Sector will ultimately land in NCLT. The Committee observe that even the degree of consensus among the lenders for the purpose of resolution plan is a bone of contention, as RBI

guidelines and IBC Code significantly differ on the percentage of consensus. The Committee, therefore, recommend that there should be unanimity among the different arms of the Government on such crucial issues like timeline and consensus percentage for resolution and they should be flexible enough to address the problem in the proper perspective and resolve it in the positive manner.

8. The Committee note that the Revised Framework for Resolution of Stressed Assets prescribes that in respect of large accounts where resolution process involving restructuring/change in ownership is implemented within 180 days, the account should not be in default at any point of time during the 'specified period', failing which the lenders shall have to file an insolvency application, singly or jointly, under the IBC within 15 days from the date of such default. The 'Specified period has been explained as the period from the date of implementation of RP up to the date by which at least 20 per cent of the outstanding principal debt as per the RP and interest capitalization sanctioned as part of the restructuring, if any, is repaid. However, the Committee have been apprised that the RBI guidelines disincentivize the banks against restructuring a loan with the existing promoter even in most genuine cases as the condition of 20% repayment of loan upfront is impracticable and it will force existing promoters out of the projects even in cases where they are not at fault. The Committee feel that the timeline for payment of 20% is not synchronous with the RBI's own provisional norms for substandard assets and there is no guarantee that the new promoters will bail out the project with the concession that are being offered to them. In the opinion of the Committee, the circular of RBI is discriminatory in approach to the existing promoters without being certain about the resolution of the issue. The Committee also feel that this kind of approach will not help in addressing the real issues. The committee, therefore, recommend that the RBI should accordingly amend its Guidelines to make them amenable in an unbiased manner so that the problems are addressed adequately.

9. The Committee note that the concept and definition of default in Insolvency and Bankruptcy Code, 2016 as well as in new guidelines of RBI has been given a new dimension and this has led to difficulties in tackling the issue of NPA in a holistic manner. The Committee have been apprised that one day default does not result in reference to NCLT at all and the 90 days definition for NPA classification has been maintained as it is. As per RBI, the one day default will set in motion a process to deal with the problem within 180 days and if the problem is solved within 180 days, the case does not go to NCLT. The Committee observe that there is no restrictions on lending if an account is an SMA or even an NPA. The Committee have been apprised that being an SMA is no stigma and it is only to indicate that the banks have to deal with the stressed asset. The Committee understand the spirit of the Guidelines of RBI, but its implementation on the ground is far from being real and workable. The Committee find that once the account is classified as NPA, even if the project is functioning and generating power, Banks do not support them for working capital. Despite Reserve Bank of India's categorical stand that Banks have never been asked to stop financing these projects, the banks maintain that once projects are specified as NPA, they can not give any more finance. This, according to the Committee, is a catch 22 situation, so clear and conclusive instructions are required in this regard. The Committee, therefore, recommend that to salvage the commercially operational stressed projects, necessary instructions should be issued regarding the availability of working capital or other financial requirements of the projects that will help them to float and become standard again.

10. The Committee note that consequent to default in debt services obligation, the interim resolution professional shall constitute a Committee of Creditors comprising all financial creditors of the corporate debtors. The Committee observe that the Committee of Creditors endeavors to resolve insolvency through resolution plans and have been vested with wide ranging

powers that include raising of interim finance, creating security interest over the asset of corporate debtor and changing the capital structure etc. as well. The Committee feel that the reply furnished by the Government, in response to a query regarding the purpose behind creation of CoC and if the creation, constitution and constituents of CoC are against the principle of natural justice as in all likelihood it may adopt a scoot approach so as to absolve themselves from any accountability, is unsatisfactory. The Committee feel that these guidelines have led to a situation wherein insolvency proceedings have been taken as fate accompli by the bankers and the role, responsibility and accountability of the bankers has been willfully sidelined as they prefer the option of insolvency as a better way to shed their responsibilities and dodge their accountability. The Committee are of the opinion that CoC is a perfect case of being Judge, Jury and Executioner in itself. The Committee as such are not against the CoC but feel there should be some safeguards or provisions wherein a judicious and justiciable regime is established to deal with the matter. The Committee therefore recommend that any scheme or system for resolution of NPA problem should be just, transparent, accountable and trustworthy in the eyes of the people.

11. The Committee note that the Committee of Creditors has been given wide scope and vast landscape to maneuver. In the given circumstances, it may be necessary, but it would have been more prudent had some hedging been done to strike a balance so as to do away with any possibility of misdemeanor or misadventure. In response to a query about the safeguards that have been introduced to preclude the possibility of CoC colluding with possible purchasers/owner of the liquidated property/power plant, it has been submitted that as per amendments made to the IBC, any person who has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, which is classified as non-performing asset are not allowed to participate in the bidding process as per

Section 29A. The committee feel that the reply of the Government is not satisfactory as it speaks only about those who have become the defaulters as per the provisions of RBI Guidelines or IBC 2016. The Committee find that the Committee of Creditors is in an enviable position with regard to the resolution of NPA and hence its functioning should be unimpeachable. The Committee, therefore recommend that suitable safeguard should be introduced to make the CoC irreproachable.

IMPACT OF RBI'S REVISED FRAMEWORK ON NPAs IN THE ELECTRICITY SECTOR

12. The Committee note that about 66 GW of conventional energy is under various degrees of financial stress which include 54805 MW of Coal based Power (44 assets), 6831 MW of Gas based Power (9 assets) and 4571 MW of Hydro power (13 assets). In addition, certain assets from Power Sector have already been referred for CIRP under IBC. The Committee also note that the outcomes of RBI's Revised Framework with respect to the Electricity Sector have been very disappointing with major lenders to power sector IPPs displaying significant accretion to NPAs and their slippages have exceeded Rs. 1.8 lakh crores in Q 4- FY 2018 and slippages of 6 major lenders have exceeded Rs. 61,000 crores. The Committee observe that the Ministry of Power was never formally consulted by the RBI for revision of the Guidelines. The Committee also observe that the lenders' action for resolving stressed assets in the Electricity Sector are beset with glaring limitations like Sub-optimal Bid Outcome, small buyer universe and weak commercial framework. For a Power Project in Chhattisgarh, against the debt of Rs. 8300 crores, an offer of only Rs. 2500 crores has been made i.e. a hair-cut of about 70 per cent has to be incurred and a Power Plant in Jharkhand got a bid of Rs. 35 lakh per MW. One of the stressed plants have been restructured but it is still in stress because the promoters can not solve the systemic issues. The Committee are of the opinion that forced sale under the NCLT will end up causing a big sacrifice of public money without any benefit to the Economy or to the Electricity Sector which would be baffling and

disastrous. The Committee feel that this entire exercise seems to have failed in its Mission and rendered the new framework worthless. The Committee express its deep anguish over the situation and expect that RBI should have considered macro issues of Electricity Sector before finalizing the guidelines as the Revised Framework of RBI will not help the Electricity Sector in its revival prospects. The Committee, therefore, strongly recommend that RBI should consider the problems of the Electricity Sector which are responsible for stress rather than concentrating on the management of NPA only and should accordingly synchronize its efforts and directives.

13. The Committee presented their 37th Report to help resolve the NPA problem of the Electricity Sector, suggesting workable proposition keeping in view the legal/financial/ statutory provisions then in vogue. However, the new guidelines of RBI have created extraordinary and worrisome situation for the Electricity Sector of the country. These guidelines were issued to address the problem of stressed assets in the Economy irrespective of the sectoral concerns and confines. Consequently, the Electricity Sector today is in a marshy condition. In addition to under construction power plants, even the operational and functional units are on the verge of becoming NPA. It is the fallout of knee-jerk response of the RBI. The turbulent headwinds in which the Electricity Sector is in today, is the systemic offshoot and if not navigated carefully the sailing will not only be tumultuous but has the potential of crash-landing also. The investment in the Electricity Sector whether private or otherwise is Public Money and everybody is concerned for it. The discretion of RBI should coordinate and cooperate with other factors which are integral part of the problem and well within the realm of resolution. The Committee find that the efforts made so far has been part of our national endeavor to achieve self-sufficiency in the field of Energy. Financing of these activities is one among the other chapters of the entire Plan. Though, very vital for successful completion of the project, but the finances should not be allowed to hijack or stymie the other

efforts. The Committee therefore, recommend that a holistic view should be taken about the systemic constraints rather than a lopsided approach looking at management of NPA only without addressing the genesis of the problem.

14. The Committee observe that the Electricity Sector is in a transitional phase and is moving from a low demand-low supply situation to a moderately high demand context. The Committee feel that the RBI framework is ignorant as well as unmindful of prevailing reality of the Electricity sector and that is why it addresses only the financial issues ignoring the whole range of vital issues of the Electricity sector. The Committee are of the view that two major important contexts should be taken into consideration - one is the need for a national energy security in the context of managing the transition in the Electricity Sector and the other is the need to preserve, protect and conserve these stressed assets as these are national assets at the end of the day. There are doubts that all the stressed power projects would ultimately be referred to NCLT whereinafter they will be auctioned at throw away prices. The Committee are not in favour of such procedure which is more for dissolution rather than resolution of stressed assets. The Committee caution about the intrinsic weakness of the proposed system because taking a cue, the deep pockets may enter the fray, stake their bids, pocket the projects and later when the demand for the electricity goes up, they will sell these projects at high prices and siphon off the money without doing anything. At the end, it will be the public which have to take the hit which has been conveniently facilitated by the revised framework of the RBI. The Committee feel that even the under construction projects should not be put under the resolution process as the construction of a power plant begins only after the completion of lot many complicated procedures and formalities and hence in addition to the money, all the efforts invested on these formalities will also go in waste. The Committee therefore, strongly recommend that with a view to ensure power security and also to avoid wastage of collective efforts, a new framework should be put in place

which safeguards the transient sagging situation of the Electricity Sector and provides the much needed stimulus.

15. The Committee note that the Revised Framework of RBI has stipulated rigorous procedure and stiff timeline for resolution of stressed assets without specifying the minimum quantum of retrievable value of such assets. The duration of various stages of SMAs and resolution plan are prescribed and defined. However, upon reference to NCLT, the timeline provision seems to be of no essence to the Government. During the currency of resolution plan, the assets can be extremely devalued resulting into loss of public money in the form of HAIR-CUT. Similarly, NCLT proceedings will also result in similar situation albeit adopting a quasi judicial approach. The Committee feel that the HAIR-CUT as envisaged under the framework is nothing but a deep economic wound with festering ramifications. The functioning and workload of NCLT may create unpredictable situations, the consequences of which can be quantified in monetary terms only after the finality of the issue. But the factors associated with the process are not infallible and thus the consequences may be enormous. If these resultant consequences of Resolution and NCLT process are put together and weighed against the efforts and consequences of reviving the power plants of whatsoever nature and character, the Committee are sure the latter will definitely be the less burdensome and relatively more fructuous for the Economy and the Nation. This is more so when there is no ceiling on the proposed HAIR-CUT which is a euphemism for front and deep economic wound. The Committee therefore, recommend that the power sector, being the nucleus for growth of Economy and development of the Nation, should be protected from this temporary phase of uncertainty so that these Power Plants can be put to use at the time of need which is certain to happen sooner than later.

STEPS TAKEN BY THE GOVERNMENT

16. The Committee appreciate the Ministry of Power for their painstaking efforts to address the issue in a holistic manner. The Committee have been

apprised in detail about the multi-track approach culminating into PARIVARTAN which provides the workable solution to the problem in the given circumstances. It inter-alia focuses on recovery, value-enhancement and quick disposal of stressed assets wherein asset warehouse will be established to protect value and revitalize assets. The scheme can be helpful in revitalizing the assets and it aims at pooling the efforts, talents, expertise and finances from the desired quarters. Similarly, the State Bank of India has also proposed a scheme named SAMADHAN in light of the revised framework of the RBI. The Committee feel that both the schemes intend to resolve the issue of stressed assets of the Electricity Sector and deserve objective and careful attention of the Government with positive mindset. The Committee therefore recommend that all out efforts should be made from every quarter to see that a genuine initiative is taken under these schemes for resolution of stressed assets in the Electricity Sector.

17. The Committee note that efforts are being made from all the quarters to address the issue of NPA/stressed assets. The representative of the Ministry of Finance (Department of Financial Services) attempted to explain the situation through four verticals. But the Committee find that the four verticals are not in consonance with one another. The first vertical of economic growth, second vertical of increasing need of power being the engine to fuel the growth and the necessity to not allow any asset to go waste to the extent possible are not in coherence with the fourth vertical of exit route of IBC. We have to solve the sectoral problems of the Electricity Sector as explained in the second vertical. The third vertical which speaks about credit culture is linked with the second vertical which deals with the reasons responsible for stress in the Electricity Sector. The Committee are in full agreement with the fact that the entire credit culture in the country is under a tremendous change and if one takes credit, one should be responsible and if one gives credit, one should hedge one's risk and responsibilities. However, the Committee feel that the most important vertical should be the revival of stressed power plants as nothing stops the Government

from taking effective measures. Promoters can be divested of their equity, management can be replaced or capital structure can be modified. But, this all should be done with the focus on revival and revival only. To divide it into segments with the thrust on liquidation will nullify the efforts made so far and kill the zeal required to address the problem. The Committee are of the opinion that the constraints of sectoral issues should be taken into account otherwise the whole exercise will remain only a sophistry. The Committee expect the Ministry of Finance to be more serious, sincere and sensitive towards the prevailing hardships of the Electricity Sector for their genuine resolution rather than smarting under a compulsive situation with the intent to shrug-off the pressure and let the situation remain unattended.

New Delhi;
2nd August, 2018
11 Shravana , 1940 (Saka)

DR.KAMBHAMPATI HARI BABU
Chairperson,
Standing Committee on Energy

RESERVE BANK OF INDIA

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February 12, 2018

All Scheduled Commercial Banks
(Excluding Regional Rural Banks (RRB)),
All-India Financial Institutions
(Exim Bank, NABARD, NHB and SIDBI)

Dear Sir/Madam,

Resolution of Stressed Assets – Revised Framework

1. The Reserve Bank of India has issued various instructions aimed at resolution of stressed assets in the economy, including introduction of certain specific schemes at different points of time. In view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), it has been decided to substitute the existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets. The details of the revised framework are elaborated in the following paragraphs.

I. Revised Framework

A. Early identification and reporting of stress

2. Lenders¹ shall identify incipient stress in loan accounts, immediately on default², by classifying stressed assets as special mention accounts (SMA) as per the following categories:

¹ Lenders under these guidelines would generally include all scheduled commercial banks (excluding RRBs) and All India Financial Institutions, unless specified otherwise.

² 'Default' means non-payment of debt when whole or any part or installment of the amount of debt has become due and payable and is not repaid by the debtor or the corporate debtor, as the case may be. For revolving facilities like cash credit, default would also mean, without prejudice to the above, the outstanding balance remaining continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than 30 days.

SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

3. As provided in terms of the circular DBS.OSMOS.No.14703/33.01.001/2013-14 dated May 22, 2014 and subsequent amendments thereto, lenders shall report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (CRILC) on all borrower entities having aggregate exposure³ of Rs.50 million and above with them. The CRILC-Main Report will now be required to be submitted on a *monthly* basis effective April 1, 2018. In addition, the lenders shall report to CRILC, all borrower entities in default (with aggregate exposure of Rs.50 million and above), on a weekly basis, at the close of business on every Friday, or the preceding working day if Friday happens to be a holiday. The first such weekly report shall be submitted for the week ending February 23, 2018.

B. Implementation of Resolution Plan

4. All lenders must put in place Board-approved policies for resolution of stressed assets under this framework, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders – singly or jointly – shall initiate steps to cure the default. The resolution plan (RP) may involve any actions / plans / reorganization including, but not limited to, regularisation of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring⁴. The RP shall be clearly documented by all the lenders (even if there is no change in any terms and conditions).

³ Aggregate exposure under the guidelines would include all fund based and non-fund based exposure with the lenders.

⁴ Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty (An illustrative non-exhaustive list of indicators of financial difficulty are given in the Appendix to Annex-A), grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which may include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest; roll over of credit facilities; sanction of additional credit facility; enhancement of existing credit limits; and, compromise settlements where time for payment of settlement amount exceeds three months.

C. Implementation Conditions for RP

5. A RP in respect of borrower entities to whom the lenders continue to have credit exposure, shall be deemed to be 'implemented' only if the following conditions are met:
 - a. the borrower entity is no longer in default with any of the lenders;
 - b. if the resolution involves restructuring; then
 - i. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and
 - ii. the new capital structure and/or changes in the terms of conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.

6. Additionally, RPs involving restructuring / change in ownership in respect of 'large' accounts (i.e., accounts where the aggregate exposure of lenders is Rs. 1 billion and above), shall require independent credit evaluation (ICE) of the residual debt⁵ by credit rating agencies (CRAs) specifically authorised by the Reserve Bank for this purpose. While accounts with aggregate exposure of Rs. 5 billion and above shall require two such ICEs, others shall require one ICE. Only such RPs which receive a credit opinion of RP4⁶ or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation. Further, ICEs shall be subject to the following:
 - (a) The CRAs shall be directly engaged by the lenders and the payment of fee for such assignments shall be made by the lenders.

 - (b) If lenders obtain ICE from more than the required number of CRAs, all such ICE opinions shall be RP4 or better for the RP to be considered for implementation.

7. The above requirement of ICE shall be applicable to restructuring of all large accounts implemented from the date of this circular, even if the restructuring is carried out before the 'reference date' stipulated in paragraph 8.

⁵ The residual debt of the borrower entity, in this context, means the aggregate debt (fund based as well as non-fund based) envisaged to be held by all the lenders as per the proposed RP.

⁶ **Annex - B** provides list of RP symbols that can be provided by CRAs as ICE and their meanings.

D. Timelines for Large Accounts to be Referred under IBC

8. In respect of accounts with aggregate exposure of the lenders at Rs. 20 billion and above, on or after March 1, 2018 ('reference date'), including accounts where resolution may have been initiated under any of the existing schemes as well as accounts classified as restructured standard assets which are currently in respective specified periods (as per the previous guidelines), RP shall be implemented as per the following timelines:
- i) If in default as on the reference date, then 180 days from the reference date.
 - ii) If in default after the reference date, then 180 days from the date of first such default.
9. If a RP in respect of such large accounts is not implemented as per the timelines specified in paragraph 8, lenders shall file insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC)⁷ within 15 days from the expiry of the said timeline⁸.
10. In respect of such large accounts, where a RP involving restructuring/change in ownership is implemented within the 180-day period, the account should not be in default at any point of time during the 'specified period', failing which the lenders shall file an insolvency application, singly or jointly, under the IBC within 15 days from the date of such default.
- 'Specified period' means the period from the date of implementation of RP up to the date by which at least 20 percent of the outstanding principal debt as per the RP and interest capitalisation sanctioned as part of the restructuring, if any, is repaid.*
- Provided that the specified period cannot end before 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 under the terms of RP.*
11. Any default in payment after the expiry of the specified period shall be reckoned as a fresh default for the purpose of this framework.
12. For other accounts with aggregate exposure of the lenders below Rs. 20 billion and, at or above Rs. 1 billion, the Reserve Bank intends to announce, over a two-year period, reference dates for implementing the RP to ensure calibrated, time-bound resolution of all such accounts in default.

⁷Applicable in respect of entities notified under IBC.

⁸The prescribed timelines are the upper limits. Lenders are free to file insolvency petitions under the IBC against borrowers even before the expiry of the timelines, or even without attempting a RP outside IBC.

13. It is, however, clarified that the said transition arrangement shall not be available for borrower entities in respect of which specific instructions have already been issued by the Reserve Bank to the banks for reference under IBC. Lenders shall continue to pursue such cases as per the earlier instructions.

E. Prudential Norms

14. The revised prudential norms applicable to any restructuring, whether under the IBC framework or outside the IBC, are contained in **Annex-A**⁹. The provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per their asset classification in terms of the Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning, as amended from time to time.¹⁰

II. Supervisory Review

15. Any failure on the part of lenders in meeting the prescribed timelines or any actions by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties¹¹.

III. Disclosures

16. Banks shall make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to resolution plans implemented. Detailed guidelines will be issued separately.

IV. Exceptions

17. Restructuring in respect of projects under implementation involving deferment of date of commencement of commercial operations (DCCO), shall continue to be covered under the guidelines contained at paragraph 4.2.15 of the Master Circular No. DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015 on 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances'.

⁹ During the period when the RP is being finalised and implemented, the usual asset classification norms would continue to apply. The process of re-classification of an asset should not stop merely because RP is under consideration.

¹⁰Accounts in respect of which banks have already been specifically issued instructions to initiate insolvency resolution proceedings under the IBC, minimum provisions as already advised shall be maintained.

¹¹ This may be in addition to direction to banks to file insolvency application under the Insolvency and bankruptcy Code 2016.

V. Withdrawal of extant instructions

18. The extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn with immediate effect. Accordingly, the Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts also stands discontinued. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.
19. The list of circulars/directions/guidelines subsumed in this circular and thereby stand repealed from the date of this circular is given in **Annex - C**.
20. The above guidelines are issued in exercise of powers conferred under Section 35A, 35AA (read with S.O.1435 (E) dated May 5, 2017 issued by the Government of India) and 35AB of the Banking Regulation Act, 1949; and, Section 45(L) of the Reserve Bank of India Act, 1934.

Yours faithfully,

(Saurav Sinha)
Chief General Manager-in-Charge

Norms Applicable to Restructuring

1. Restructuring is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty¹², grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / rate of interest / roll over of credit facilities / sanction of additional credit facility / enhancement of existing credit limits / compromise settlements where time for payment of settlement amount exceeds three months.

I. Prudential Norms¹³

A. Asset Classification

2. In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as per extant asset classification norms.

B. Conditions for Upgrade

3. Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the lenders may be upgraded only when all the outstanding loan / facilities in the account demonstrate 'satisfactory performance' (i.e., the payments in respect of borrower entity are not in default at any point of time) during the 'specified period' (as defined in paragraph 10 of the covering circular)¹⁴.

¹² An illustrative (but not exhaustive) list of indicators of financial difficulty are in Appendix.

¹³ Applicable to all resolution plans, including those undertaken under IBC.

¹⁴ For accounts under IBC, the specified period shall be deemed to commence from the date of implementation of the resolution plan as approved by the Adjudicating Authority.

4. For the large accounts (i.e., accounts where the aggregate exposure of lenders is Rs. 1 billion and above) to qualify for an upgrade, in addition to demonstration of satisfactory performance, the credit facilities of the borrower shall also be rated as investment grade¹⁵ (BBB- or better) as at the end of the 'specified period' by CRAs accredited by the Reserve Bank for the purpose of bank loan ratings. While accounts with aggregate exposure of Rs. 5 billion and above shall require two ratings, those below Rs. 5 billion shall require one rating. If the ratings are obtained from more than the required number of CRAs, all such ratings shall be investment grade to qualify for an upgrade.

5. In case satisfactory performance during the specified period is not demonstrated, the account shall, immediately on such default, be reclassified as per the repayment schedule that existed before the restructuring¹⁶. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP and demonstration of satisfactory performance thereafter.

C. Provisioning Norms

6. Accounts restructured under the revised framework shall attract provisioning as per the asset classification category as laid out in the Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, as amended from time to time. However, the provisions made in respect of accounts restructured before the date of the circular under any of the earlier schemes shall continue to be held as per the requirements specified therein.

D. Additional Finance

7. Any additional finance approved under the RP (including any resolution plan approved by the Adjudicating Authority under IBC) may be treated as 'standard asset' during the specified period under the approved RP, provided the account performs satisfactorily (as defined in paragraphs 3-5 above) during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

¹⁵ These ratings shall be the normal ratings provided by the CRAs and not ICEs referred to in paragraph 6 of the covering circular.

¹⁶ For large accounts, this will be in addition to mandatory IBC filing.

E. Income recognition norms

8. Interest income in respect of restructured accounts classified as 'standard assets' may be recognized on accrual basis and that in respect of the restructured accounts classified as 'non-performing assets' shall be recognised on cash basis.

9. In the case of additional finance in accounts where the pre-restructuring facilities were classified as NPA, the interest income shall be recognised only on cash basis except when the restructuring is accompanied by a change in ownership.

F. Conversion of Principal into Debt/Equity and Unpaid Interest into 'Funded Interest Term Loan' (FITL), Debt or Equity Instruments

10. The FITL / debt / equity instruments created by conversion of part of principal / unpaid interest, as the case may be, will be placed in the same asset classification category in which the restructured advance has been classified.

11. These instruments shall be valued as per usual valuation norms and marked to market. Equity instruments, whether classified as standard or NPA, shall be valued at market value, if quoted, or else at break-up value (without considering the revaluation reserve, if any) as ascertained from the company's balance sheet as on March 31st of the immediate preceding financial year. In case balance sheet as on March 31st of the immediate preceding financial year is not available, the entire portfolio of equity shares of the company held by the bank shall be valued at Re.1. Depreciation on these instruments shall not be offset against the appreciation in any other securities held under the AFS category.

12. The unrealised income represented by FITL / Debt or equity instrument can only be recognised in the profit and loss account as under:

- a. FITL/debt instruments: only on sale or redemption, as the case may be;
- b. Unquoted equity/ quoted equity (where classified as NPA): only on sale;
- c. Quoted equity (where classified as standard): market value of the equity as on the date of upgradation, not exceeding the amount of unrealised income converted to such equity. Subsequent changes to value of the equity will be dealt as per the extant prudential norms on investment portfolio of banks.

G. Change in Ownership

13. In case of change in ownership of the borrowing entities, credit facilities of the concerned borrowing entities may be continued/upgraded as 'standard' after the change in ownership is implemented, either under the IBC or under this framework.

If the change in ownership is implemented under this framework, then the classification as 'standard, shall be subject to the following conditions:

- i) Banks shall conduct necessary due diligence in this regard and clearly establish that the acquirer is not a person disqualified in terms of Section 29A of the Insolvency and Bankruptcy Code, 2016.
- ii) The new promoter shall have acquired at least 26 per cent of the paid up equity capital of the borrower entity and shall be the single largest shareholder of the borrower entity.
- iii) The new promoter shall be in 'control' of the borrower entity as per the definition of 'control' in the Companies Act 2013 / regulations issued by the Securities and Exchange Board of India/any other applicable regulations / accounting standards as the case may be.
- iv) The conditions for implementation of RP as per Section I-C of the covering circular are complied with.

14. For such accounts to continue to be classified as standard, all the outstanding loans/credit facilities of the borrowing entity need to demonstrate satisfactory performance (as defined above in paragraph 3 above) during the specified period. If the account fails to perform satisfactorily at any point of time during the specified period, the credit facilities shall be immediately downgraded as non- performing assets (NPAs) i.e., 'sub-standard'. Any future upgrade for such accounts shall be contingent on implementation of a fresh RP (either under IBC, wherever mandatory filings are applicable or initiated voluntarily by the lenders, or outside IBC) and demonstration of satisfactory performance thereafter.

15. Further, the quantum of provisions held by the bank against the said account as on the date of change in ownership of the borrowing entities can be reversed only after satisfactory performance during the specified period.

II. Principles on classification of sale and lease back transactions as restructuring

16. A sale and leaseback transaction of the assets of a borrower or other transactions of similar nature will be treated as an event of restructuring for the purpose of asset classification and provisioning in the books of banks with regard to the residual debt of the seller as well as the debt of the buyer if all the following conditions are met:

- (i) The seller of the assets is in financial difficulty;
- (ii) Significant portion, i.e. more than 50 per cent, of the revenues of the buyer from the specific asset is dependent upon the cash flows from the seller;
- (iii) 25 per cent or more of the loans availed by the buyer for the purchase of the specific asset is funded by the lenders who already have a credit exposure to the seller.

III. Prudential Norms relating to Refinancing of Exposures to Borrowers in different currency

17. If foreign currency borrowings/export advances for the purpose of repayment/refinancing of rupee loans are obtained from:

- a. lenders who are part of Indian banking system (where permitted); or
- b. with support (where permitted) from the Indian banking system in the form of Guarantees/Standby Letters of Credit/Letters of Comfort, etc.,

such events shall be treated as 'restructuring' if the borrower concerned is under financial difficulty.

18. Similarly, rupee loans for repayment/refinancing of foreign currency borrowings/export advances will also be treated as 'restructuring' if such rupee loans are extended to a borrower who is under financial difficulty.

IV. Regulatory Exemptions

Exemptions from RBI Regulations

19. Acquisition of non-SLR securities by way of conversion of debt is exempted from the restrictions and the prudential limit on investment in unlisted non-SLR securities prescribed by the RBI.

20. Acquisition of shares due to conversion of debt to equity during a restructuring process will be exempted from regulatory ceilings/restrictions on Capital Market Exposures, investment in Para-Banking activities and intra-group exposure. However, these will require reporting to RBI (reporting to DBS, CO every month along with the regular DSB Return on Asset Quality) and disclosure by banks in the Notes to Accounts in Annual Financial Statements. Nonetheless, banks will have to comply with the provisions of Section 19(2) of the Banking Regulation Act, 1949.

Exemptions from Regulations of Securities and Exchange Board of India (SEBI)

21. SEBI has provided exemptions, under certain conditions, from the requirements of Securities and Exchange Board of India (SEBI) (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2009 as well as SEBI (Substantial Acquisition of Shares and Takeovers) (SAST) Regulations, 2011 for restructurings carried out as per the regulations issued by the Reserve Bank.

22. With reference to the requirements contained in sub-regulations 70 (5) (a) and 70 (6) (a) of ICDR Regulations, 2009, the issue price of the equity shall be the lower of (i) or (ii) below:

- (i) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the 'reference date' or the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the 'reference date', whichever is lower; and
- (ii) Book value: Book value per share to be calculated from the audited balance sheet as on March 31st of the immediate preceding financial year (without considering 'revaluation reserves', if any) adjusted for cash flows and financials post the earlier restructuring, if any. The balance sheet shall not be more than a year old. In case the audited balance sheet as on March 31st of the immediate preceding financial year is not available the total book value of the borrower company shall be reckoned at Re.1.

23. In the case of conversion of debt into equities, the 'reference date' shall be the date on which the bank approves the restructuring scheme. In the case of conversion of convertible securities into equities, the 'reference date' shall be the date on which the bank approves the conversion of the convertible securities into equities. In case of issuance of fresh shares to the new promoter, the 'reference date' shall be the date of signing of the binding agreement between the bank and the new promoter.

24. With reference to the requirements contained in sub-regulations 10 (1) (ia) (a) of the SAST Regulations, 2001, at the time of selling the equity instruments acquired by banks (as part of a restructuring exercise) in favour of a new promoter, the selling price may be a negotiated price. However, the selling price shall not be lower than the 'fair value', which shall be the higher of (i) and (ii) below:

- (i) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the 'reference date' or the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the 'reference date', whichever is higher; and
- (ii) Book value: Book value per share to be calculated from the company's latest audited balance sheet (without considering 'revaluation reserves', if any) adjusted for cash flows and financials post the earlier restructuring, if any.

25. In case of sale of equity held by banks as a result of conversion/invocation of pledge, the 'reference date' shall be the date on which the share purchase agreement between the bank and the new promoter is executed.

V. Non-applicability of these guidelines

26. The revival and rehabilitation of MSMEs as defined under 'The Micro, Small and Medium Enterprises Development Act, 2006' shall continue to be guided by the

instructions contained in Circular No. FIDD.MSME & NFS.BC.No.21/ 06.02.31/ 2015-16 dated March 17, 2016, as amended from time to time.

27. Restructuring of loans in the event of a natural calamity shall continue to be as per the directions contained in the Master Directions FIDD.CO.FSD.BC No.8/05.10.001/2017-18, as amended from time to time.

VI. Cases of frauds/wilful defaulters.

28. Borrowers who have committed frauds/ malfeasance/ wilful default will remain ineligible for restructuring. However, in cases where the existing promoters are replaced by new promoters, and the borrower company is totally delinked from such erstwhile promoters/management, lenders may take a view on restructuring such accounts based on their viability, without prejudice to the continuance of criminal action against the erstwhile promoters/management.

Appendix

Non – Exhaustive Indicative List of Signs of Financial Difficulty

- Irregularities in cash credit/overdraft accounts such as inability to maintain stipulated margin basis or drawings exceeding sanctioned limits, periodic interest debited remaining unrealised;
- Failure/anticipated failure to make timely payment of instalments of principal and interest on term loans;
- Delay in meeting commitments towards payments of installments due, crystallized liabilities under LC/BGs, etc.
- Excessive leverage;
- Inability to adhere to financial loan covenants;
- Failure to pay statutory liabilities, non- payment of bills to operational creditors, etc.;
- Non-submission or undue delay in submission or submission of incorrect stock statements and other control statements, delay in publication of financial statements and adversely qualified financial statements;
- Steep decline in production figures, downward trends in sales and fall in profits, margin erosion etc.;
- Elongation of working capital cycle, excessive inventory build-up;
- Significant delay in project implementation;
- Downward migration of internal/external ratings/rating outlook.

Annex – B

ICE Symbols	Definition
RP1	Debt facilities/instruments with this symbol are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry lowest credit risk.
RP2	Debt facilities/instruments with this symbol are considered to have high degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry very low credit risk.
RP3	Debt facilities/instruments with this symbol are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry low credit risk.
RP4	Debt facilities/instruments with this symbol are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such debt facilities/instruments carry moderate credit risk.
RP5	Debt facilities/instruments with this symbol are considered to have moderate risk of default regarding timely servicing of financial obligations.
RP6	Debt facilities/instruments with this symbol are considered to have high risk of default regarding timely servicing of financial obligations.
RP7	Debt facilities/instruments with this symbol are considered to have very high risk of default regarding timely servicing of financial obligations

List of circulars repealed

S. No.	Circular number	Date of issue	Subject
1	BR.BP.BC.No.67/21.04.048/2016-17	05-05-2017	Timelines for Stressed Assets Resolution
2	DBR.No.BP.BC.33/21.04.132/2016-17	10-11-2016	Scheme for Sustainable Structuring of Stressed Assets - Revisions
3	DBR.No.BP.BC.34/21.04.132/2016-17 (Excluding instructions on deferment of DCCO)	10-11-2016	Schemes for Stressed Assets - Revisions
4	DBR.No.BP.BC.103/21.04.132/2015-16	13-06-2016	Scheme for Sustainable Structuring of Stressed Assets
5	DBR.BP.BC.No.82/21.04.132/2015-16 (Excluding Part E on Sale of Financial Assets to SCs/RCS)	25-02-2016	Review of Prudential Guidelines - Revitalising Stressed Assets in the Economy
6	DBR.BP.BC.No.41/21.04.048/2015-16	24-09-2015	Prudential Norms on Change in Ownership of Borrowing Entities (Outside Strategic Debt Restructuring Scheme)
7	DBR.BP.BC.No.39/21.04.132/2015-16	24-09-2015	Framework for Revitalising Distressed Assets in the Economy - Review of the Guidelines on Joint Lenders' Forum (JLF) and Corrective Action Plan (CAP)
8	DBR.No.BP.BC.101/21.04.132/2014-15	08-06-2015	Strategic Debt Restructuring Scheme
9	DBR.No.BP.BC.53/21.04.048/2014-15	15-12-2014	Flexible Structuring of Existing Long Term Project Loans to Infrastructure and Core Industries
10	DBOD.No.BP.BC.45/21.04.132/2014-15	21-10-2014	Framework for Revitalising Distressed Assets in the Economy - Review of the Guidelines on Joint Lenders Forum (JLF) and Corrective Action Plan CAP)
11	DBOD.No.BP.BC.31/21.04.132/2014-15	07-08-2014	Refinancing of Project Loans

12	DBOD.No.BP.BC.24/21.04.13 2 /2014-15	15-07-2014	Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries
13	DBOD.No.BP.BC.97/21.04.13 2 /2013-14 (Excluding para 8 on 'Wilful Defaulters and Non-cooperative Borrowers' and para 9 on 'Dissemination of Information')	26.02.2014	Framework for Revitalising Distressed Assets in the Economy – Guidelines on Joint Lenders Forum (JLF) and Corrective Action Plan
14	Para 2 of circular DBOD.BP.BC.No. 98/21.04.132/2013-14	26.02.2014	Framework for Revitalising Distressed Assets in the Economy - Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures
15	DBOD.No.BP.BC- 99/21.04.048/2012-13 (Excluding paragraph 2 on change in DCCO)	30.05.2013	Review of Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions
16	DBOD.BP.BC.No.80/21.04.13 2 /2012-13	31.01.2013	Disclosure Requirements on Advances Restructured by Banks and Financial Institutions
17	DBOD.No.BP.BC- 63/21.04.048/2012-13	26.11.2012	Review of Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions
18	DBOD.BP.BC.No.99/21.04.13 2 /2010-11	10.06.2011	Prudential Guidelines on Restructuring of Advances by Banks
19	DBOD.BP.BC.No.74/21.04.13 2 /2010-11	19.01.2011	Credit Support to Micro Finance Institutions
20	DBOD.BP.No.49/21.04.132/ 2010-11	07.10.2010	Prudential Guidelines on Restructuring of Advances by Banks
21	DBOD.No.BP.BC.No.124/21.0 4.132/2008-09	17.04.2009	Prudential Guidelines on Restructuring of Advances
22	DBOD.BP.BC.121/21.04.132/ 2008-09	09.04.2009	Prudential guidelines on Restructuring of Advances 13
23	DBOD.BP.BC.76/21.04.132/ 2008-09	03.11.2008	Prudential guidelines on Restructuring of Advances
24	DBOD.BP.BC.58/21.04.048/2 0 08-09	13.10.2008	(i) Disbursal of Loans against Sanctioned Limits (ii) Restructuring of Dues of the Small and Medium Enterprises (SMEs)

25	DBOD.BP.BC.37/21.04.132/ 2008-09	27.08.2008	Prudential guidelines on Restructuring of Advances- comprehensive guidelines
26	DBOD.NO.BP.BC.45/21.0421. 0 4.048/2005-06	10.11.2005	Revised Guidelines on Corporate Debt Restructuring (CDR) Mechanism
27	DBOD No.BP.BC.101/ 21.01.002/2001-02	09.05.2002	Corporate Debt Restructuring
28	DBOD No. BP.BC.15/21/04/114/ 2000-2001	23.08.2001	Corporate Debt Restructuring

ANNEXURE - II

**MINUTES OF THE FIFTEENTH SITTING OF THE STANDING COMMITTEE ON
ENERGY (2017-18) HELD ON 11th APRIL, 2018 IN COMMITTEE ROOM 'G-074'
PARLIAMENT LIBRARY BUILDING, NEW DELHI**

The Committee met from 1430 hrs. to 1630 hrs.

PRESENT

LOK SABHA

Dr. Kambhampati Hari Babu - Chairperson

2. Shri Bhagat Singh Koshyari
3. Dr. Arun Kumar
4. Shri Ravindra Kumar Pandey
5. Shri M.B. Rajesh
6. Shri Vinayak Bhaurao Raut
7. Shri Bhanu Pratap Singh Verma

RAJYA SABHA

8. Shri T.K.S. Elangovan
9. Shri Manish Gupta
10. Shri S. Muthukaruppan
11. Smt. Viplove Thakur

SECRETARIAT

1. Shri A.K. Singh Additional Secretary
2. Shri N.K. Pandey Director
3. Smt. L. Nemjalhing Haokip Under Secretary

Witnesses

MINISTRY OF POWER

1. Shri Ajay Kumar Bhalla Secretary
2. Shri Aniruddha Kumar Joint Secretary

MINISTRY OF COAL

3. Shri Suresh Kumar Additional Secretary
4. Shri Ashish Upadhyaya Joint Secretary
5. Shri Rajesh Kumar Sinha Joint Secretary

PSUS/AUTONOMOUS BODY/STATUTORY BODY

6. Shri R.K. Verma Chairperson, CEA
7. Shri Rajeev Sharma CMD, PFC
8. Shri P.V. Ramesh CMD, REC

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power and the Ministry of Coal to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Secretary, Ministry of Power deposed before the Committee that there were 34 stressed projects in Power Sector, out of them, seven projects have got resolved. He informed the Committee that these projects were in stress for different reasons like:

- Cancellation of Coal Blocks and dispute over allocation of Coal Blocks due to aggressive bidding. SHAKTI policy has addressed some of these issues.
- Delayed payment by Discoms: A large amount of money has been outstanding from the Government Departments in some of the States. If that is made available, Discoms' losses can be easily written off or payments to generators can be made. UDAY has brought in some improvement in this regard.
- Lack of PPAs in the market: If the peak rated capacity is about 160-165 GW, the PPAs available with the State Governments are of more than 230 GW. States are already having excess PPAs and each PPA is a cost to them as far as fixed cost is concerned.
- Regulatory issues: With regard to the railway charges etc., all the charges have been included in the freight. CERC has already put up for consultation the indexation issue.

4. He further informed the Committee that the Ministry has notified a scheme for procurement of 2,500 MW as a pilot, using PFC as the aggregator for aggregating power on behalf of Discoms and then opening the market for generators. The Coal Ministry has been requested for putting some coal linkage on auction for this purpose.

5. The Secretary, Ministry of Power submitted that the RBI had no formal consultations with the Ministry of Power before notifying the "New Guidelines" regarding resolution of Non-Performing Projects. He further stated that REC and PFC were in the process of restructuring over a longer period of time, but they have not been able to resolve any project leaving aside one or two. Now the RBI has put a lid over it and said that beyond a point, one cannot keep on doing restructuring. The Ministry felt that in the power sector, at this stage, this kind of resolution (RBI's Resolution Plan) would not come through very quickly because there is hardly any PPA in the market. So, any model of restructuring, either with or without the RBI guidelines, cannot give much benefit to the Power Sector.

6. The CMD, REC deposed before the Committee that REC has a loan book of about Rs. 2,40,000 crore, of which private sector exposure has been about 13 %. REC's total NPAs (12 projects) have been 2.1 % as on 1st March, 2018. The impact of RBI's Guidelines on REC's balance sheet would be to the tune of Rs.15,000 crore.

7. The CMD, REC further submitted that the power sector financing has been a long-term investment having the tenure of 15-20 years and there has always been involvement of a consortium of financiers. In some projects there have been a consortium of as many as 27 banks where it would become difficult to achieve 100 % consensus. To find an optimal solution and resolution would be almost impossible in 180 days which means every project will ultimately land up in NCLT. A timeline has been submitted to the Ministry that a minimum of 231 days are required for the resolution process to be completed.

8. The Committee *inter-alia* deliberated upon the following points related to the subject - "Impact of new RBI Guidelines on Non- Performing Assets in Power Sector" with the representatives of the Ministry of Power and the Ministry of Coal:

- (i) If the measures introduced in fresh RBI guidelines will help the electricity sector to overcome its NPA problem in a realistic and pragmatic manner?
- (ii) What will be effect of these guidelines on the stressed Power Projects?
- (iii) If the timeline of 180 days suggested in the Resolution Plan will be adequate for all the actions to be completed under the plan?

- (iv) If the role and responsibility of the members of lending consortium in filing insolvency proceedings have been clearly demarcated and defined?
- (v) Whether the stakeholders, i.e., Ministry of Power, Ministry of Coal, lending banks and financial institutions, independent power producers were consulted before framing of the guidelines by the RBI?
- (vi) Impact of these guidelines on the supply of coal to the power plants, which may become unviable in near future.
- (vii) Whether there is still demand for FSA by the running/ upcoming power plants and in what manner will it affect the coal supply?
- (viii) Will the Ministry of Coal be in a position to improve supply of coal as a result of these guidelines?
- (ix) Coordination system among Regulators, Government, Banks, promoters and other stake holders.

9. Thereafter, the Members sought clarifications on various issues relating to the subject and the representatives concerned responded to the same. The Committee directed the representatives concerned to furnish written replies to those queries which could not be readily responded to by them.

10. The verbatim proceedings of the sitting of the Committee were kept for record.

The Committee then adjourned.

ANNEXURE - III

**MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON
ENERGY (2017-18) HELD ON 12th JUNE, 2018 IN COMMITTEE ROOM '3'
PARLIAMENT HOUSE ANNEXE EXTN., NEW DELHI**

The Committee met from 1500 hrs. to 1700 hrs.

PRESENT

LOK SABHA

Dr. Kambhampati Hari Babu - Chairperson

2. Shri Devendra Singh Bhole
3. Shri Harish Dwivedi
4. Dr. Arun Kumar
5. Shri Jagdambika Pal
6. Shri Ravindra Kumar Pandey
7. Shri M.B. Rajesh
8. Shri Vinayak Bhaurao Raut
9. Shri Bhanu Pratap Singh Verma

RAJYA SABHA

10. Shri Oscar Fernandes
11. Shri Manish Gupta
12. Shri Shamsher Singh Manhas
13. Smt. Viplove Thakur
14. Shri Narain Das Gupta

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri N.K. Pandey - Director

Witnesses

MINISTRY OF POWER

1. Shri Ajay Kumar Bhalla Secretary
2. Shri Sanjiv Nandan Sahai Additional Secretary
3. Shri Aniruddha Kumar Joint Secretary

DEPARTMENT OF FINANCIAL SERVICES, MINISTRY OF FINANCE

4. Shri Rajiv Kumar Secretary
5. Shri Pankaj Jain Joint Secretary

RESERVE BANK OF INDIA

6. Dr. Urjit R. Patel Governor
7. Shri N.S. Vishwanathan Deputy Governor
8. Dr. Viral V. Acharya Deputy Governor

PSUS/AUTONOMOUS BODY/STATUTORY BODY

9. Shri R.K. Verma Chairperson, CEA
10. Shri Rajeev Sharma CMD, PFC
11. Shri P.V. Ramesh CMD, REC

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power, Department of Financial Services, Reserve Bank of India, Central Electricity Authority, Power Finance Corporation and Rural Electrification Corporation to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. The Committee *inter-alia* also deliberated upon the following points related to the subject - "Impact of new RBI Guidelines on Non- Performing Assets in Power Sector" with the representatives of the Ministry of Power, Department of Financial Services, Reserve Bank of India, etc:

- (i) Reasons for introduction of "New" Guidelines for resolution of Non-Performing Assets?
- (ii) How the RBI's new guidelines will help the Electricity Sector to overcome its NPA problem?
- (iii) What will be effect of these guidelines on the stressed Power Projects?
- (iv) Whether the timeline of 180 days suggested in the Resolution Plan will be adequate for all the actions to be completed under the Plan?

- (v) The amount of hair-cut that the Banks are likely to take following the IBC Act.
- (vi) Reasons for abolition of Joint Lending/Consortium Forum.
- (vii) Justification for requirement of independent credit evaluation in the Resolution Plan?
- (viii) Will the new Guidelines on NPA not spur the filing of insolvency proceedings with NCLT?
- (ix) Accountability and responsibility of the Lenders under the Plan?
- (x) Coordination system among Regulators, Government, Banks, promoters and other stake holders.

4. Thereafter, the Members sought clarifications on various issues relating to the subject and the representatives concerned responded to the same. The Committee directed the representatives concerned to furnish written replies to those queries which could not be readily responded to by them.

5. x x x x x x x x x x x

6. The verbatim proceedings of the sitting of the Committee were kept for record.

The Committee then adjourned.

x - not related to this Report.

ANNEXURE - IV

**MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON
ENERGY (2017-18) HELD ON 5th JULY, 2018 IN COMMITTEE ROOM 'C',
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1130 hrs. to 1330 hrs. and
from 1430 hrs. to 1600 hrs

PRESENT

LOK SABHA

Dr. Kambhampati Hari Babu - Chairperson

2. Shri Devendra Singh Bhole
3. Shri Harish Dwivedi
4. Shri Bhagat Singh Koshyari
5. Dr. Arun Kumar
6. Shri Jagdambika Pal
7. Shri M.B. Rajesh
8. Shri Bhanu Pratap Singh Verma
9. Shri Kotha Prabhakar Reddy
10. Shri Nagendra Kumar Pradhan

RAJYA SABHA

11. Shri T.K.S. Elangovan
12. Shri Oscar Fernandes
13. Shri Manish Gupta
14. Shri Shamsher Singh Manhas
15. Shri Narain Das Gupta

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri N.K. Pandey - Director

Witnesses

MINISTRY OF POWER/PSUs/AUTONOMOUS BODIES		
1.	Shri Aniruddha Kumar	Joint Secretary, MoP
2.	Shri Rajeev Sharma	CMD, PFC
3.	Shri P.V. Ramesh	CMD, REC
4.	Shri Gurdeep Singh	CMD, NTPC
5.	Shri P.K. Mukopadhyay	Chairman, DVC
6.	Shri Pankaj Batra	Chairman, CEA
PUBLIC & PRIVATE SECTOR BANKS		
7.	Shri Rajnish Kumar	Chairman, SBI
8.	Shri Sunil Mehta	MD & CEO, Punjab National Bank
9.	Shri R.A. Sankara Narayanan	MD & CEO, Vijaya Bank
10.	Shri Rakesh Sharma	MD & CEO, Canara Bank
11.	Shri Jai Kumar Garg	MD & CEO, Corporation Bank
12.	Shri Mukesh Kumar Jain	MD & CEO, Oriental Bank of Commerce
13.	Shri Pawan Bajaj	MD & CEO, United Bank of India
14.	Shri Rajeev Rishi	MD & CEO, Central Bank of India
15.	Shri Kishor Kharat	MD & CEO, Indian Bank
16.	Shri R. Subramania Kumar	MD & CEO, IOB
17.	Shri P.S. Jayakumar	MD & CEO, BOB
18.	Shri Rajkiran Rai G.	MD & CEO, Union Bank of India
19.	Shri Manjul Chawla	Head, IDFC
20.	Shri B. Sriram	MD & CEO, IDBI
21.	Shri Arun Kumar Manda	General Manager, Bank of India
22.	Mrs. Vishakha Mulye	Executive Director, ICICI Bank
23.	Shri Kulbhushan Jain	ED, Andhra Bank
24.	Shri Charan Singh	ED, UCO Bank
25.	Shri R.K. Yadhuvanshi	ED, Dena Bank
26.	Shri N.K. Sahoo	ED, Allahabad Bank
27.	Shri S. Krishnan	ED, Syndicate Bank
28.	Shri A.C. Rout	ED, Bank of Maharashtra
29.	Dr. Fareed Ahmed	ED, PSB
INDEPENDENT POWER PRODUCERS		
30.	Shri Pradeep Mittal	Executive vice Chairman, Essar Power Ltd.
31.	Shri B.R. Jaju	Chief Financial Officer, D B Power Baradhara

32.	Shri A. Issac George	GVK Power Goindwal Sahib Ltd.
33.	Shri Suresh Jain	Managing Director, JPVL
34.	Shri S.K. Bagai	President Prayagraj Power General Company Ltd.
35.	Shri Gattu Rambhav	Chief Operating Officer, Korba West Power Company Ltd.
36.	Shri R. Raveendra Nathan Nair	CEO, Jindal India Thermal Power Ltd.
37.	Shri Ismail Kamal	Promotor Group, Coastal Energen Pvt. Ltd.
38.	Shri M. Narasimha Murthy	President, Lanco Babandh Power Ltd. and Lanco Vidarbha Thermal Power Ltd.
39.	Shri M. Chandrasekhar Reddy	Dy. CEO, Lanco Amarkantak Power Ltd . and Lanco Anpara Power Ltd.
40.	Shri Ashish Bansal	Edelweiss Alternative Asset Advisors Ltd.
41.	Shri Sameer Ganju	Adani Power Maharashtra Ltd. Tiroda Plant
42.	Shri Ashish Basu	CEO GMR
43.	Shri Vibhuti Handoo	DGM, Lanco
44.	Shri R. Srinivasan	Advisor, RKM Powergen Pvt. Ltd.

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Power, Central Electricity Authority, Power Finance Corporation, Rural Electrification Corporation, National Thermal Power Corporation, Public & Private Sector Banks, Independent Power Producers, etc. to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

3. During the discussion, the CMD, Rural Electrification Corporation made a presentation on the subject "Stressed Power Projects - A Framework for Sustainable Management" which, *inter-alia*, covered Electricity Act 2003 : A watershed for Industry Transformation, Conventional IPP Capacity under Stress, Explanation of Stress, Historical Resolution Approaches, Revised Resolution Approach, Sectoral Challenges & Efficacy, Potential Outcome of Revised Approach, Lender's Action in view of RBI Framework, Limitation of Lender's Actions, Need for a Warehousing Approach, Multi-track Resolution Framework, Warehousing of Power Assets, Key Objectives of Warehousing, Power asset Revival Focused Warehousing & Revitalization (PARIWARTAN), Mode of Transfer of Assets, Operational Details, Regulatory Aspects, Regulatory Forbearance Required, Capital Structure of PARIWARTAN, Key Support Required, etc.

4. The Committee *inter-alia* also deliberated upon the following points related to the subject - "Impact of new RBI Guidelines on Non- Performing Assets in Power Sector" with the representatives of the Ministry of Power, Power Finance Corporation, Rural Electrification Corporation, Public & Private Sector Banks, Independent Power Producers, etc:

- (i) How the RBI's new guidelines will help the Electricity Sector to overcome its NPA problem?
- (ii) What will be effect of these guidelines on the stressed Power Projects?
- (iii) Whether the timeline of 180 days suggested in the Resolution Plan should be increased?
- (iv) The amount of hair-cut that the Banks are likely to take following the IBC Act.
- (v) Need for a separate Framework for resolution of the Stressed Assets in the Electricity Sector.
- (vi) Need to modify the condition regarding consensus among all the Lenders for implementation of Resolution Plan so as to get it aligned with IBC.
- (vii) Will the new Guidelines on NPA not spur the filing of insolvency proceedings with NCLT?
- (viii) If the Revised Framework disincentivizes the Banks in carrying out Resolution of a Stressed Projects with the existing Promoter?
- (ix) Need to preserve at least those Stressed Power Projects that are functional so as not to jeopardize the Energy Security of the Nation.
- (x) Need to create an alternative mechanism to ensure timely payment from Discoms.
- (xi) Need for the Government Agencies like Railways to take over some of the Stressed Power Projects.
- (xii) Need to make use of the DBT Mechanism for transferring electricity subsidy to the consumers.
- (xiii) Need to synchronize the resolution of Sectoral Issues with the RBI's Guidelines.
- (xiv) Accountability and responsibility of the Lenders under the Plan?
- (xv) Coordination system among Regulators, Government, Banks, promoters and other stake holders.

5. Thereafter, the Members sought clarifications on various issues relating to the subject and the representatives concerned responded to the same. The Committee directed the representatives concerned to furnish written replies to those queries which could not be readily responded to by them.

*The Committee then took a Lunch-Break.
The above mentioned Witnesses Withdrew*

Witnesses

MINISTRY OF POWER		
1.	Shri Ajay Kumar Bhalla	Secretary
2.	Shri Sanjiv Nandan Sahai	Additional Secretary
3.	Shri Aniruddha Kumar	Joint Secretary
DEPARTMENT OF FINANCIAL SERVICES, MINISTRY OF FINANCE		
4.	Shri Rajiv Kumar	Secretary
5.	Shri Ravi Mittal	Additional Secretary
6.	Shri Pankaj Jain	Joint Secretary
MINISTRY OF COAL		
7.	Shri Ashish Upadhyaya	Joint Secretary
8.	Shri Rajesh Kumar Sinha	Joint Secretary
PSUS/AUTONOMOUS BODY/STATUTORY BODY		
9.	Shri Pankaj Batra	Chairperson, CEA
10.	Shri Rajeev Sharma	CMD, PFC
11.	Shri P.V. Ramesh	CMD, REC
12.	Shri Gurdeep Singh	CMD, NTPC
13.	Shri P.K. Mukopadhyay	Chairman, DVC
14.	Shri Anil Kumar Jha	Chairman, CIL

6. After the lunch, the Chairperson welcomed the representatives of the Ministry of Power, Ministry of Finance, Ministry of Coal etc. to the sitting of the Committee and apprised them of the agenda and focus area for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker.

7. The Committee *inter-alia* also deliberated upon the following points related to the subject - "Impact of new RBI Guidelines on Non- Performing Assets in Power Sector" with the representatives of the Ministry of Power, Department of Financial Services, Ministry of Coal, etc:

- (i) The number of stressed Power Projects that have been provided Coal-linkages since December, 2017.
- (ii) Whether the production of coal in the country is now sufficient to fully cater the demand of power sector?
- (iii) Whether the problem of rail rakes for transportation of coal has been sorted out completely?
- (iv) Are the power plants maintaining the normative coal stocks?
- (v) Feasibility of the proposal that 14th Finance Commission grants to the defaulting local bodies may be given directly to the DISCOMs.
- (vi) Need for allowing all the coast-based thermal plants to import the coal so that the load on the railways and on Coal India can be reduced.

8. Thereafter, the Members sought clarifications on various issues relating to the subject and the representatives concerned responded to the same. The Committee directed the representatives concerned to furnish written replies to those queries which could not be readily responded to by them.

9. The verbatim proceedings of the sitting of the Committee were kept for record.

The Committee then adjourned.

ANNEXURE - V

**MINUTES OF THE NINETEENTH SITTING OF THE STANDING COMMITTEE ON
ENERGY (2017-18) HELD ON 2ND AUGUST, 2018 IN COMMITTEE ROOM 'C',
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee met from 1700 hrs. to 1730 hrs.

PRESENT

LOK SABHA

Dr. Kambhampati Haribabu- Chairperson

2. Shri Devendra Singh Bhole
3. Shri Om Birla
4. Shri Harish Dwivedi
5. Dr. Arun Kumar
6. Shri Malyadri Sriram
7. Dr. Pritam Gopinath Munde
8. Shri Jagdambika Pal
9. Shri Ravindra Kumar Pandey
10. Shri Vinayak Bhaurao Raut
11. Shri Bhanu Pratap Singh Verma

RAJYA SABHA

12. Shri T.K.S. Elangovan
13. Shri Oscar Fernandes
14. Shri Manish Gupta
15. Shri Narain Dass Gupta

SECRETARIAT

1. Shri N.K. Pandey - Director
2. Smt. L. Nemjalhing Haokip - Under Secretary

2. At the outset, the Chairman welcomed the Members and apprised them about the agenda of the sitting. The Committee then took up the following draft Reports for consideration and adoption:-

- a) Draft Report on "Impact of RBI's Revised Framework for Resolution of Stressed Assets on NPAs in the Electricity Sector".
- b) Draft Action Taken Report on the recommendations contained in the Thirty Eighth Report (16th Lok Sabha) on Demands for Grants (2018-19) of the Ministry of Power.

3. After discussing the contents of the Reports in detail, the Committee adopted the aforementioned draft Reports without any modifications. The Committee also authorized the Chairperson to finalize the above-mentioned Reports and present the same to both the Houses of Parliament in the current session.

4. x x x x x x x x x x x

The Committee then adjourned.

x - not related to this Report.