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August 14, 2020

To,  
Shri T N Manoharan  
Chairman  
CANARA Bank  
Head Office  
112, J C Road,  
Bangalore 560002

Sub: Clarifications requested in relation to One Time Restructuring Scheme (OTR) dated August 6 2020.

Respected Sir,

We, at the onset, would like to Congratulate of being appointed as member of the committee under the Chairmanship of Shri K V Kamath for suggesting a list of financial parameters-- liquidity, debt serviceability, etc. to cope up with the COVID 19 related Stressed assets. Undoubtedly this new committee will address the huge business challenge arising out of pandemic by coming up with One Time Restructuring Scheme and Real Estate Industry needed it the most besides aviation, hospitality etc.

We have two request for clarification as under: -

- a. When term loans are used to finance different projects owned by the same company with separate securities, the facilities should be dealt with independently

Real Estate Companies generally avails financing in the nature of:

- a) Construction Finance  
b) Lease Rental discounting

Above financing generally are provided by Banks/NBFC against security of specific project.

It is very likely that some of such financing may not need any restructuring/reschedulement while others may need the same. It's only, where velocity of sales has dampened due to Covid, one would need such restructuring/reschedulement to synchronise its repayment schedule with the revised sales forecast under changed business environment.

We, therefore, would request RBI to clarify that One Time Restructuring as envisaged is allowed Project by Project and need not be for entire company in the best interest of lenders as well as Company. This is relevant in particular for Real Estate Companies as they operate in multiple business segment like Residential, Commercial. Again within the Residential segment, Affordable Residential vs. Luxury Residential Segment are affected with different intensity due to this Pandemic induced lockdown.

- b. Loans by way of subscription to Non-Convertible Debentures:-

We would like to bring RBI attention to the fact that at times loans are provided to Corporates by Banks/NBFC by way of subscribing to NCD issued by such Companies. Perhaps, they do so to create enough modalities to generate liquidity for themselves if they ever need the same by selling those NCD in the secondary market. This is done in furtherance of RBI stated objective of growing Secondary market for debt.

It will be of immense help if RBI can clarify that

- (i) The Moratorium benefits under recent RBI notifications as well as
- (ii) One Time Restructuring solution provided under above referred notification covers loans provided by Banks/NBFC by way of subscription to NCD on bilateral basis as these are nothing but loan in substance and just got structured as instrument for the reasons mentioned above. It should be clarified that as long as the institution(s) regulated by the RBI own 100% of the instrument and there is no unregulated entities (eg. retail investors) directly owning the instrument, the RBI's notifications in respect of Moratorium benefits as well as One Time Restructuring guidelines would apply.

Thanking you,

Yours Sincerely,

For CREDAI-MCHI



**Nayan Shah**  
President



**Bandish Ajmera**  
Hon. Secretary