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# K.V. Kamath Panel Report

The Reserve Bank of India has set up the K.V. Kamath Committee for restructuring of loans impacted by the Covid-19 pandemic. As per the Supreme Court's order, the Kamath panel report was released on September 7, 2020, by the central bank as a special window under the Prudential Framework on Resolution of Stressed Assets.

The committee was headed by K.V. Kamath and its main objective was to recommend parameters for one-time restructuring of corporate loans.

## About the K.V. Kamath Committee

The Resolution Framework inter alia envisages the constitution of an Expert Committee with the following composition:

1. Shri K V Kamath - Chairperson
2. Shri Diwakar Gupta - Member (effective September 1, 2020)
3. Shri T N Manoharan - Member (effective August 14, 2020)
4. Shri Ashvin Parekh - Member
5. Shri Sunil Mehta - Member Secretary

### Why was the Committee set up?

Many firms which maintain a good financial position through their businesses faced great losses due to the COVID pandemic and were unable to maintain their cash flow, and were in a state of debt.
Most of these accounts also had a risk of turning into Non-Performing Assets (NPA).

Various petitions were filed by small and large businesses as they could not repay the interest amount against the loans taken by them. Thus, to help them and get an analysis of the loan structuring, the Supreme Court ordered the central bank to form an Expert Committee to recommend parameters for one-time restructuring of corporate loans.

### When was the Committee formed?

The committee was set up in August 2020 and was asked to submit its report within a month after its formation. The Committee's term will be until June 30, 2021.

### What are the objectives of the Committee?

- To identify suitable financial parameters that should be factored into the assumptions underlying Resolution Plan finalised by the lending institutions
- To recommend sector-specific ranges for such financial parameters that will serve as boundary conditions
- To make any other recommendations relating to financial or non-financial conditions

- To undertake the process validations in respect of borrowers where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is Rs. 1500 crore and above

### Which accounts were eligible for Restructuring of Loans?

- Only those borrowers will be eligible for restructuring whose accounts were not in default for more than 30 days with any lending institution as of March 1, 2020
- Other accounts will be considered for restructuring under RBI's Prudential Framework which was issued in 2019
- The resolution under this framework is applicable only to those borrowers who have been impacted on account of the pandemic

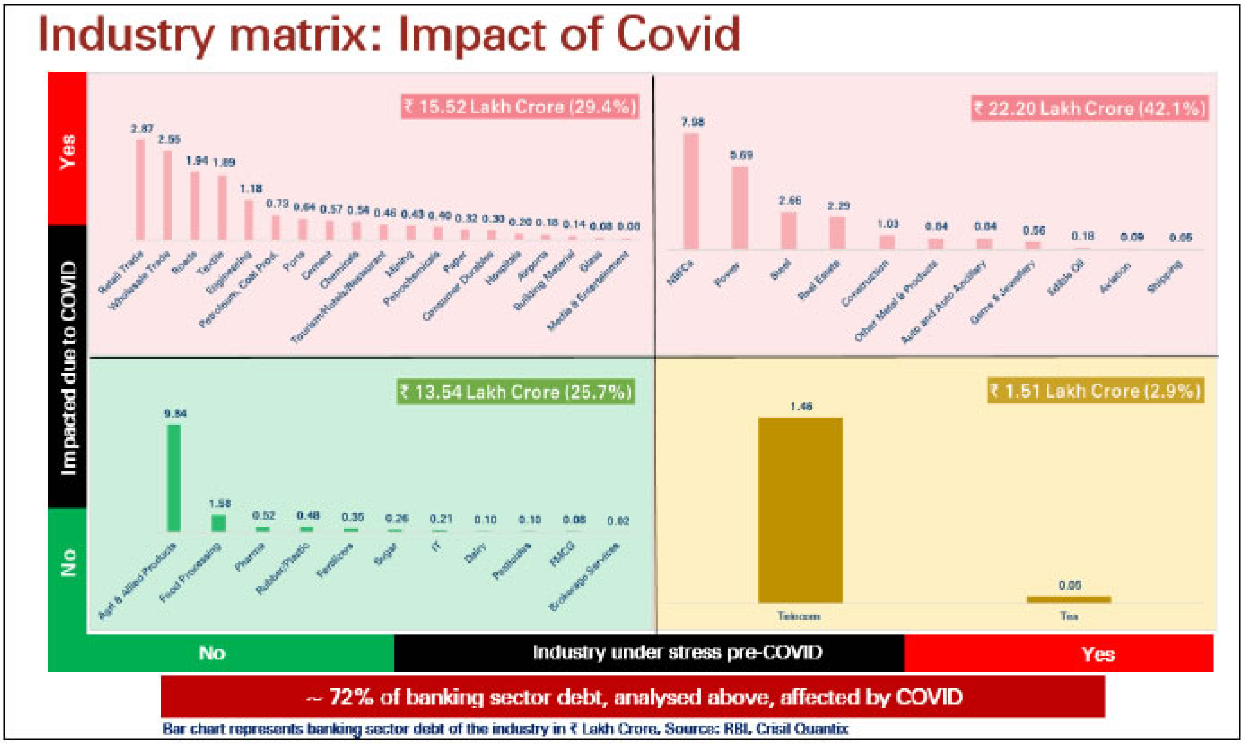
## About the Kamath Panel Report

After several meetings that were conducted digitally, and analysis of RBI's Financial Stability Report and other Publications and Research Reports, the committee penned the sectors which were the worst affected.

**26 sectors were listed by the committee which were the worst affected** and the evaluation of the same was done keeping the following parameters in consideration:

- Total Outside Liability / Adjusted Tangible Net Worth
- Total Debt / EBITDA
- Current Ratio
- Debt Service Coverage Ratio
- Average Debt Service Coverage Ratio

The image given below shows the banking sector debt of the industry in Rs. 1 lakh crore:




## Kamath Panel Report: Other key findings

- Before the pandemic, Rs 22.20 lakh crore corporate debt was already under stress. An additional Rs 15.52 lakh crore debt has come under debt after the pandemic in India
- It can be concluded that 72% of the banking sector debt to the industry remains under stress
- Sectors like textile, construction, chemicals, sugar, aviation, gems and jewellery, auto dealership, corporate retail outlets, etc. have fallen under stress due to the pandemic in the country.