

# **GLOSSARY AND ABBREVIATIONS**



## GLOSSARY

Sl. No.	Terms	Explanation
1.	Assignment of debt	The sale of Non-Performing Assets (NPAs)/stressed accounts by financial institutions to Securitisation Companies / Asset Reconstruction Companies (ARCs) at a given price. The NPAs/stressed accounts thus acquired by Securitisation Companies / ARCs are transferred to a Trust setup by them against which Security Receipts (SRs) are issued to the Financial Institutions which are to be realized within a period of five years (extendable up to eight years) from the original date of acquisition. If the Securitization Company/ARC does not resolve the NPA within a maximum period of eight years the investment in the form of Security Receipts is to be written off from the books of accounts of the Financial Institutions.
2.	Breakup value of shares	The equity capital and reserves as reduced by intangible assets and revaluation reserves divided by the number of equity shares.
3.	Buyback of shares	The purchase of own shares by the investee company whose equity has been subscribed to by the investor as per the timeframe given in the terms of agreement entered into between the investor and the investee company.
4.	Call option	A call option is an undertaking that gives the issuer the right to buy a stock, bond at a specified price within a specific time period.
5.	Joint Lenders' Forum & Corrective Action Plan	As per RBI guidelines dated 21 March 2014 on "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy", when an account is reported as Special Mention Account-2 (principal/interest payment overdue between 61 to 180 days), the lenders should mandatorily form a committee to be called Joint Lenders' Forum (JLF) which shall formulate a corrective action plan (CAP) for early resolution of the stress in the account. The CAP is aimed at arriving at a feasible resolution to preserve the economic value of the underlying assets as well as the lenders' loans. The options under Corrective Action Plan (CAP) by the JLF would generally include restructuring, rectification and recovery.
6.	Compulsorily Convertible Preference Shares	Preference shares which are convertible into equity shares of the Company after a predetermined time span or on a specific date.
7.	Compulsory Convertible Debentures	A type of debt security where the whole value of the debentures is compulsorily convertible into equity shares in future as per terms of sanction.
8.	Corporate Debt Restructuring	It is a voluntary system based on debtor-creditor agreement and inter-creditor agreement which provides a framework to ensure a timely and transparent mechanism for restructuring of the corporate debts of viable corporate entities affected by internal or external factors, outside the purview of BIFR, DRT and other legal proceedings, for the benefit of all concerned.

9.	Credit Information Reports	Reports obtained from other existing lenders detailing the credit history of the borrower.
10.	Commercial Operation Date	The stage when project construction ends and commercial operations start
11.	Cut-off Date	Date from which restructuring is effective
12.	Collateral Security	Security given in addition to the primary security.
13.	Coupon	The prescribed return on debentures/equity as per terms of agreement
14.	Current ratio	A liquidity ratio that measures whether a Company has enough resources to meet its short-term obligations. Formula= $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
15.	Debt Equity Ratio	A leverage ratio which indicates how much debt a Company is using to finance its assets relative to the amount of value represented in shareholders' equity. Formula: $\frac{\text{Long term Debt}}{\text{Equity Share Capital} + \text{Free Reserves}}$
16.	Discounted Cash Flows	A valuation method that uses future cash flow projections and discounts them to arrive at a present value , which is used to evaluate the potential for investment.
17.	Debt Service Coverage Ratio	The ratio of cash available for servicing the debt to the actual debt obligation. Formula= $\frac{\text{PAT} + \text{Depreciation} + \text{interest}}{\text{Maturing annual obligation} + \text{interest}}$ Existing DSCR is calculated on the basis of information available in the existing financial statements. Projected DSCR during the term of credit facility is calculated on the basis of future financial projections.
18.	Distress Sale Value	The minimum value which the lenders hope to realize in the event of sale of the property.
19.	Event of Default	Events mentioned in the loan agreement entered into between the lender and the borrower, the occurrence of which constitutes an event of default. It includes failure to comply with loan conditions, inability of the borrower to pay its debts as they fall due, the value of shares falling by a certain specified percentage, failure to provide cash margin within 3 working days beyond 25% fall in prices of pledged shares etc.
20.	Escrow account	A bank account created specifically for a project. All income and expenses related to the project are to be routed through the Escrow Account. The borrower cannot withdraw the deposits in escrow account without permission of the lender.
21.	Fixed Assets Coverage Ratio	The ratio that determines a Company's ability to cover long term debt obligations with its fixed assets. It is significant because a Company's long-term debts are often secured with fixed assets. Formula= $\frac{\text{Net fixed assets} + \text{CWIP}}{\text{Term loans}}$
22.	Foreign Currency Convertible Bond	A type of debt security issued in a currency different than the issuer's domestic currency. These bonds can be converted into a predetermined amount of Company's equity shares during the tenure of the bond usually at the discretion of the bondholder.

23.	Fully Convertible Debenture	A type of debt security where the whole value of the debenture is convertible into equity shares in future as per terms of sanction.
24.	Non-Convertible Debentures	A type of debt security that cannot be converted into equity shares in future.
25.	Funded Interest Term Loan	The outstanding interest amount which is converted into a term loan.
26.	Green field project	An activity in a completely new area of investment.
27.	Interest Coverage Ratio	A ratio used to determine how easily a company can pay its interest expenses on outstanding debt. Formula= $\frac{\text{PAT} + \text{Interest}}{\text{Interest}}$
28.	Interim security	Security obtained from the borrower till the time primary security as per terms of sanction is created/perfected.
29.	Lead bank	A bank that manages the process of underwriting a security or leads the consortium of lenders.
30.	Lock- in period of shares	The period during which the shares cannot be sold.
31.	Moratorium period	Period during the loan tenure when the borrower is not required to make any repayment of principal/coupon.
32.	Non Disposal Undertaking/Power of Attorney	In this arrangement shares are deposited in Escrow account with Agent / Trustee. If default occurs Agent / Trustee will deal with these shares in accordance with NDU arrangement and on the basis of instructions of Lenders.
33.	Net Present Value Loss	Loss of principal or interest suffered by the lender due to renegotiated terms on restructuring of a credit facility.
34.	Optionally Convertible Debentures	Debentures which can be converted into equity shares at the expiry of a certain period at a predetermined price, if the debenture holder wishes to do so.
35.	<i>Pari passu</i> charge	This charge provides an equal right to all the <i>pari passu</i> lenders in the share of specified assets of a borrower Company.
36.	Price Earnings Ratio	The ratio of a Company's share price to its earnings per share. It is calculated by taking the current equity share price divided by its earnings per share.
37.	Put Option	A put option is an undertaking that gives the investor the right to sell a stock, bond at a specified amount within a specified time.
38.	Scheme for Sustainable Structuring of Stressed Assets (S4A)	It is RBI's scheme for resolution of large stressed accounts. It envisages determination of sustainable debt level for a stressed borrower and bifurcation of outstanding debt into sustainable and unsustainable debt. The unsustainable debt will be converted into equity/equity related instruments which can be redeemed at a later date.
39.	Second charge	This charge on a security gets its dues after the first charge has been satisfied.

40.	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002	Under this act secured creditors (banks and financial institutions) have the right to enforce security interest. It allows banks and other financial institution to take possession of the mortgaged properties and auction the same to recover outstanding loan dues. However, agricultural land is exempt from the purview of this Act.
41.	Short Term Loan	A loan scheduled to be repaid in less than a year.
42.	Special Economic Zone	A geographical region within a State in which a distinct legal frame work provides for more liberal economic policies and governance arrangements than prevail in the country at large
43.	Special Purpose Vehicle	A legal entity created for a well-defined purpose, such as undertaking a project, facilitation of a financial arrangement or creation of a financial instrument.
44.	Strategic Debt Restructuring	As per RBI guidelines dated 8 <sup>th</sup> June 2015/23 <sup>rd</sup> July 2015, it is a debt restructuring mechanism wherein the loan dues (principal and outstanding interest) of lenders are converted into equity shares of the borrower Company so as to acquire majority shareholding in the borrower Company. Post conversion, all lenders must collectively hold 51% or more of the equity shares issued by the borrower Company and in due course lenders should divest their equity holding in the borrower Company to a new promoter.
45.	Subservient Charge	This is a residual charge on a security which gets its dues after all the other charges have been satisfied.
46.	Trust and Retention Account	A mechanism in which revenues of the project are directed into a single account, maintained with the designated TRA agent. The lenders, in consultation with the borrower, draw up a detailed mandate for the TRA agent for periodic transfer and utilization of funds available in the TRA. The payment to the lenders is to be made directly by the TRA agent without any intervention by the borrower. It has been a common feature in financing of infrastructure projects.
47.	Underwriting of loan	An arrangement in which the lead bank/financial institution gives a commitment that if the loan is not fully subscribed, the underwriter can opt to absorb the undersubscribed portion or it can sell the undersubscribed part of the loan to other lenders after retaining its own share of the loan underwritten.
48.	Unlisted/unquoted shares	Shares which are not listed on any recognized stock exchange.
49.	Unrealized interest	Interest accrued on the Non-Performing Assets which is not recognized in the Income Statement as per RBI guidelines on Income recognition. Interest accrued on NPAs can only be recognized in the income statement when it is actually received in cash.

## ABBREVIATIONS

Sl. No.	Terms	Explanation
1.	AAIFR	Appellate Authority for Industrial and Financial Reconstruction
2.	ARC	Asset Reconstruction Company
3.	BIFR	Board for Industrial and Financial Reconstruction
4.	BOT	Build, Operate and Transfer
5.	CAP	Corrective Action Plan
6.	CARE	Credit Analysis & Research
7.	CBI	Central Bureau of Investigation
8.	CCD	Compulsory Convertible Debenture
9.	CCPS	Compulsorily Convertible Preference Share
10.	CDR	Corporate Debt Restructuring
11.	CDR- EG	Corporate Debt Restructuring- Empowered Group
12.	CIBIL	Credit Information Bureau (India) Limited
13.	CIC	Credit and Investment Committee
14.	CIR	Credit Information Report
15.	CL	Corporate Loan
16.	COD	Commercial Operation Date (for projects) and Cut-off Date (for restructuring)
17.	CRMD	Credit Risk Management Department
18.	DER	Debt Equity Ratio
19.	DFS	Department of Financial Services
20.	DRT	Debt Recovery Tribunal
21.	DSCR	Debt Service Coverage ratio
22.	DSRA	Debt Service Reserve Account
23.	DSV	Distress Sale Value
24.	EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
25.	EC	Executive Committee
26.	EIA	Environment Impact Assessment
27.	EOD	Event of Default
28.	FACR	Fixed Assets Coverage Ratio
29.	FCCB	Foreign Currency Convertible Bond
30.	FCD	Fully Convertible Debenture
31.	FI	Financial Institution
32.	FITL	Funded Interest Term Loan
33.	FSA	Fuel Supply Agreement
34.	GLP	General Lending Policy
35.	GOI	Government of India
36.	ICRA	Investment Information and Credit Rating Agency of India
37.	IPO	Initial Public Offering
38.	ITD	Income Tax Department
39.	JLF	Joint Lenders Forum
40.	LOI	Letter of Intent
41.	MoEF	Ministry of Environment & Forest
42.	MoF	Ministry of Finance
43.	MoPNG	Ministry of Petroleum & Natural Gas
44.	MW	Megawatt
45.	NBFC	Non-Banking Financial Company

46.	NBFC-ND-SI	Systemically Important Non-Deposit taking Non-Banking Financial Company
47.	NCD	Non-Convertible Debenture
48.	NDU/POA	Non-Disposal Undertaking/Power of Attorney
49.	NOC	No Objection Certificate
50.	NPA	Non-Performing Assets
51.	NPV Loss	Net Present Value Loss
52.	OCD	Optionally Convertible Debenture
53.	OCL	Optionally Convertible Loan
54.	OFCD	Optionally Fully Convertible Debenture
55.	PAT	Profit After Tax
56.	PE ratio	Price Earnings Ratio
57.	PPA	Power Purchase Agreement
58.	PSB	Public Sector Bank
59.	RBI	Reserve Bank of India
60.	ROFR	Right of First Refusal
61.	SARFAESI Act, 2002	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
62.	SDR	Strategic Debt Restructuring
63.	SEZ	Special Economic Zone
64.	SPV	Special Purpose Vehicle
65.	SR	Security Receipt
66.	STL	Short Term Loan
67.	TL	Term Loan
68.	TRA	Trust and Retention Account