8 Tables

Table 1: Unrated Borrower's Rating at the time they were first reported as NPA and Best Rating Pre-NPA

	Investment Grade	Sub-Investment Grade	Unrated
Rating when first reported as NPA	3.88	17.03	79.09
Best Rating Prior to Becoming NPA	16.00	30.09	53.91

Note: This table presents the share of unrated borrowers by rating categories in the quarter in which they were first reported as an NPA by the bank, and the best rating of the borrowers in the bank, prior to being reported as NPA. The sample is restricted to borrowers who are unrated and NPAs.

Table 2: Borrower-Level Covariate Balance Across Rs. 1 billion Threshold

	< Rs. 1 Bn	> Rs. 1 Bn	Significance
Likelihood of Borrowing from Public Sector Bank	0.545	0.547	No
Likelihood of Being NPA	0.112	0.106	No
Likelihood of Being SMA0	0.035	0.035	No
Likelihood of Being SMA1	0.026	0.023	No
Likelihood of Being SMA2	0.046	0.042	No
Likelihood that Borrower is in Agriculture	0.014	0.014	No
Likelihood that Borrower is in Industries	0.562	0.548	No
Likelihood that Borrower is in Services	0.331	0.321	No

Note: This table presents a test of covariate balance for borrowers within Rs. 0.1 billion bandwidth on either side of the Rs. 1 billion exposure threshold.

Table 3: Borrower Switching Across Rating Categories - Differential Effects by Public Sector Banks

	(1) Pr(Switch) Unrated	(2) Pr(Switch) Unrated	(3) Pr(Switch) Unrated	(4) Pr(Switch) Unrated
Post*Exp > 1	-.040***	-.045***	-.047***	-.032***
	(.003)	(.003)	(.004)	(.005)
PSB*Exp > 1				.011**
				(.005)
Post*PSB				.034***
				(.005)
Post*PSB*Exp > 1				-.014**
				(.006)
Post	.048***	.065***	.060***	.038***
	(.002)	(.003)	(.003)	(.004)
Exp > 1	.012***	.021***	.015***	.011**
	(.003)	(.004)	(.005)	(.006)
PSB				-.237
				(.157)
Observations	585462	385169	284427	385169
R^2	.37	.38	.43	.38
Dep Var Mean	.08	.08	.07	.09

This table presents the results estimating whether the policy affected the quarterly switching of borrowers from the rated to the unrated category. The unit of observation is borrower-bank. *Post* is a dummy equaling 1 for all quarters after June 2016. *Exp > 1* is a dummy equaling 1 for borrowers with total systemic exposures in excess of Rs. 1 billion. *PSB* is a dummy equaling 1 if the borrowers is banking with a public sector bank. All specifications include borrower-year, industry-quarter, bank and credit rating fixed effects and a quadratic in total systemic exposure of the borrower. Column (2)-(4) include four lags of the borrower's asset category and four lags of funded exposures. Column (3) restricts the sample to June 2015 to September 2017. Standard errors are clustered at the level of the borrower. The sample is restricted to rated borrowers.