



Resolution Framework 2.0 – Policy for Resolution of COVID 19 related stress of Individuals and Small Businesses

Background:

In order to alleviate the stress to MSME borrowers, bank herewith lays down the policy for implementation of Covid-19 related stress of Individuals and Small Businesses in line with directions issued by RBI vide its notification dated 5th May, 2021 as Restructuring Framework-2.0. Best efforts would be made to revive borrowers out of the current stress subject to economic viability of the revival plan and based on the eligibility conditions and terms and conditions as enumerated below:-

1. Eligible Accounts

- ✓ Individuals who have availed of personal loans excluding credit facility provided by bank to Staff.
- ✓ Individuals who have availed of loans and advances for business purposes and to whom the Bank has aggregate exposure of not more than Rs 25 crs as on 31st March, 2021.
- ✓ Small Businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on 31st March, 2021 and to whom the bank has aggregate exposure of not more than Rs 25 crs as on 31st March, 2021.
- ✓ Borrowers who have availed benefits under RF 1.00 but have not availed moratorium and or extension of tenor, will be permitted to seek this benefit, subject to overall tenor extension of not more than 2 years.

b. Ineligible Accounts

- ✓ Staff loans, Agricultural loans and lending to financial institutions.

2. Reference Date for outstanding:

Reference date for eligibility will be outstanding in the loan account of the customer as on 31st March, 2021.

3. Reason for restructuring could be any of the following reasons:-

The impact of COVID 19 on the earning capacity of the applicant should be established by documentary proof or by personal inspection/verification of the business site and residence of the applicant. Reasons could be

- ✓ Loss of Job, reduction in Salary
- ✓ Business affected / closed due to decline in sales /profitability
- ✓ Temporary Ill health
- ✓ Industry is affected due to lockdown restrictions
- ✓ Any other acceptable reason.

- ✓ Temporary working capital stress which is likely to be rectified by 31/3/2022.

4. Resolution Plan (RP)

- ✓ The resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, revisions in working capital sanctions, granting of moratorium etc., based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- ✓ The moratorium period, if granted shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years. The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable.
- ✓ The resolution plan will be applicable to even WC accounts restructured under RF-1 where business is affected for a temporary period and the margins needs to be diluted, provided the account is again restored to the original position as per terms of RF 1.0 by 31/3/2022

5. Cut-off date for Accounts eligible under Resolution Plan

Standard accounts as on 31/3/2021, irrespective of the account status on the date of invocation.

6. Date of Invocation

The date on which both the borrower and Bank has agreed to proceed with the Resolution Plan elaborated above in date of invocation, but not later than 30th September, 2021.

Resolution plans of only those borrowers whose income streams/cash flows are impacted on account of Covid-19 will be considered. The borrower will have to satisfy the bank about the reasonableness of the revival of income to meet future cash flows obligations.

7. Time-line for implementation:-

- Restructuring of the borrower account is to be invoked by 30th Sept'21. Restructuring shall be treated as invoked when the Bank and borrower agree to proceed with the efforts towards the restructuring plan. Borrower will be communicated in writing by Bank within 30 days of receipt of application. The decision of the Bank shall be independent of other Banks exposure.
- The restructuring plan is to be implemented within 90 days from date of invocation and not later than 31st Dec, 2021, whichever is earlier.
- Restructuring Plan would be treated as implemented if the following conditions are met:
 - 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
 - The new capital structure and / or changes in the terms and conditions of the existing I Loans get duly reflected in the books of all the lenders and the borrower.

8. Asset Classification:-

- ✓ On implementation of Restructuring Plan, asset classification of the borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between 1st April and date implementation will be upgraded as 'Standard Asset', as on date of implementation of Resolution Plan.

- ✓ The asset classification benefit will be available only if the restructuring is done as per provisions of Resolution Framework 2.0 norms.
- ✓ Post restructuring, NPA classification of these accounts shall continue be as per the extant IRAC norms.
- ✓ In respect of borrowers where the resolution process has been invoked, the bank is permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as “Standard” till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.
- ✓ The Bank shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure of the bank post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.
- ✓ Half of the above provisions may be written back upon the borrower paying at least 20% of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10% of the residual debt without slipping into NPA subsequently. However, in respect of exposures other than personal loans, the above provisions shall not be written back 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.
- ✓ The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

9. Convergence of the norms for loans resolved previously.

- ✓ Accounts which were earlier restructured under COVID 1.00 except where the resolution plans had permitted no moratoria or moratorium given was less than 2 years bank may modify such plans only to the extent of increasing the period moratorium/ extension of residual tenor subject to maximum of 2 years and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium/ or extension of residual tenor granted under Resolution Framework-1.00 and this framework combined, shall be two years.

10. Working Capital Support for Small businesses where resolution plans were implemented previously.

- ✓ In respect of individuals and small businesses which had availed restructuring under Resolution Framework 1.00, Bank is permitted, as a one-time measure, to review the WC sanctioned limits and/or drawing power based on reassessment of the working capital cycle, reduction of margins, etc without the same being treated as restructuring. The decision with regards to the above shall be taken by 30th September, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under RF 1.0 by 31st March, 2022.

11. Implementation of the Resolution Plan:

The Restructuring Plan shall be deemed to be implemented only if all the following conditions are met:

- ✓ All related documentation, including execution of necessary agreements between Bank and borrower and collaterals provided, if any are completed by the Bank in consonance with the resolution plan being implemented.
- ✓ The changes in the terms and conditions of the loan get duly reflected in the books of the Bank.
- ✓ Borrower is not in default with Bank as per the revised terms.

MANAGING DIRECTOR