ECLF - Restructuring & Resolution Framework Policy

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Guidelines on Restructuring of Advances

1. Introduction

A restructured account is one where a Lender, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Lender would not otherwise consider. Restructuring shall normally involve modification of terms of the advances / securities, which shall generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons).

A non-exhaustive indicative list of signs of financial difficulty are provided as under:

- A default, as per the definition provided in the framework, shall be treated as an indicator for financial difficulty, irrespective of reasons for the default.

- A borrower not in default, but it is probable that the borrower will default on any of its exposures in the foreseeable future without the concession, for instance, when there has been a pattern of delinquency in payments on its exposures.

- A borrower's outstanding securities have been delisted, are in the process of being delisted, or are under threat of being delisted from an exchange due to noncompliance with the listing requirements or for financial reasons.

- On the basis of actual performance, estimates and projections that encompass the borrower's current level of operations, the borrower's cash flows are assessed to be insufficient to service all of its loans or debt securities (both interest and principal) in accordance with the contractual terms of the existing agreement for the foreseeable future.

- A borrower's credit facilities are in non-performing status or would be categorised as non-performing without the concessions.

- A borrower's existing exposures are categorised as exposures that have already evidenced difficulty in the borrower's ability to repay in accordance with the internal credit rating norms.

The above list provides examples of possible indicators of financial difficulty but is not intended to constitute an exhaustive enumeration of financial difficulty indicators with respect to restructuring. This must be complemented by analysis of banking statement/GST returns/IT returns wherein there is drop in banking credits/turnover/operating profit/increased indebtness etc.

In particular, financial difficulty can be identified even in the absence of arrears on an exposure in scenarios like death of key business personnel, changes to regulation/laws expected to having short term adverse impact on the industry/company, basis arrears on exposure with other financial institution etc. The reason for financial difficulty & restructuring shall be covered as part of credit assessment. While the detailed guidelines are covered in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 updated as on 23, 2018, the following may be noted. The below guidelines are subject to RBI guidelines of restructuring, as applicable from time to time.

- No account shall be taken up for restructuring by the Company unless the financial viability is established and there is a reasonable certainty of repayment from the borrower, as per the terms of restructuring package.
- Any restructuring done without looking into cash flows of the borrower and assessing the viability of the projects / activity financed by the Company shall be treated as an attempt at ever greening a weak credit facility and shall invite supervisory concerns / action.

The below guidelines are subject to RBI guidelines of restructuring, as applicable from time to time.

2. Prudential Framework for Resolution of Stressed Accounts

The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 ("Prudential Framework") provides a principle-based resolution framework for addressing borrower defaults, and aims at early recognition, reporting and time-bound resolution of Stressed Assets. While the RBI reserves the rights to refer specific borrowers to the IBC, the Prudential Framework gives liberty to the members of the joint lenders' forum consisting of banks, financial institutions, small finance banks and systemically important NBFCs to decide the resolution plan. The resolution plan involves restructuring, sale of the exposures to other entities, change of management or ownership of the borrower, as also reference to the IBC.

Though the Prudential Framework was made applicable to scheduled commercial banks, AIFIs, small finance banks and NBFCs, however, the same revolves around banks and financial institutions. For the framework to get triggered, the borrower must be reported as default by either an SCB, AIFI or small finance bank. The provisions under the paragraph does not get triggered with an NBFC declaring an account as default.

Further, resolution plan implemented under the Prudential Framework, which involves granting of any concessions on account of financial difficulty of the borrower, entails an asset classification downgrade except when accompanied by a change in ownership, subject to prescribed conditions.

The mechanics of Prudential Framework is as follows:

1. DEFAULT-On an account being declared as Default, the Company will, within a period of 30 days, have to review the account and decide the course of action on the account.
2. EXECUTION OF INTER CREDITOR AGREEMENT(ICA) - If all the Lenders decides to resolve the stress under Prudential Framework, ICA must be signed among them.

3. RESOLUTION PLAN (RP) - Upon approval of the RP, the same must be implemented within a period of 180 days in the manner prescribed.
4. MONITORING-After the implementation, the same must be monitored during the monitoring period and the extended specified period.

In situation, the provisions under the paragraph are triggered by SCB, AIFI or SFB and the Company shall participate in the said resolution plan in terms of prudential framework and the RP shall be approved as per applicable sanctioning authority in terms of Credit Policy.

3. **Project Loans for Commercial Real Estate**

For CRE projects mere extension of DCCO shall not be considered as restructuring subject to compliance with revised guidelines of RBI for deferment of DCCO for CRE projects as under:

1) Revisions of the date of DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:
   a. The revised DCCO falls within the period of one year from the original DCCO stipulated at the time of financial closure for CRE projects; and
   b. All other terms and conditions of the loan remain unchanged.

2) In case of CRE projects delayed for reasons beyond the control of promoter(s), Company may restructure them by way of revision of DCCO up to another one year (beyond the one-year period quoted at paragraph 1) above)

Additionally, it is to be noted that:

- Company while restructuring such CRE project loans under instructions at 2) above will have to ensure that the revised repayment schedule is extended only by a period equal to or shorter than the extension in DCCO.

- Company may fund cost overruns that arise on account of extension of DCCO (within the limits at (1) and (2) above), subject to the instructions issued vide circular DBOD.No.BP.BC.33/21.04.048/2014-15 dated August 14, 2014 and the mailbox clarification dated April 20, 2016.

- It is re-iterated that a loan for a project may be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue). It is further re-iterated that the dispensation stated above is subject to the condition that the application for restructuring should be received before the expiry of period mentioned at paragraph 1) or 2) above (as the case may be) and when the account is still standard as per record of recovery.

- At the time of extending DCCO, it should be satisfied about the viability of the project and the restructuring plan.
- All other aspects related to restructuring, income recognition, asset classification, provisioning as applicable for projects under implementation shall continue to apply.

- Company shall ensure that all provisions of the Real Estate (Regulation and Development) Act, 2016 are complied with.

- The project loans to CRE sector shall be identified on the basis of instructions issued vide circulars DBOD.BP.BC.No.42/08.12.015/2009-10 dated September 9, 2009 and DBOD.BP.BC.No.104 / 08.12.015 / 2012-13 dated June 21, 2013.

4. **Framework for Restructuring of mSME Advances**

Introduction
In order to provide a simpler and faster mechanism to address the stress in MSME accounts and their revival, Reserve Bank of India vide circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 read with RBI circular no - RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 has allowed one-time restructuring of existing loans to MSMEs.

Eligibility
Loans which are in default but are classified as standard as on January 01, 2019 and continues to be classified as standard asset till the date of implementation of the restructuring or dates as may be extended by RBI, from time to time, aggregate exposure, including non-fund based facilities of banks & NBFC's to borrower does not exceed 250 million as on January 1, 2019 or dates as may be extended by RBI.

Identification of MSME
All the enterprises which fall within the definition of Micro, small and medium enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 (as applicable from time to time). – Refer Annexure for definition reference

Viability & Conditions

- Viability

  The viability shall be determined by the sanctioning authority based on the acceptable viability benchmarks determined by them, which may be applied on a case-by-case basis, depending on merits of each case.

- Conditions

  Restructuring to be implemented on or before March 31, 2020, or the dates as may be extended by RBI.

  All related documentation shall be completed including creation of charge/ perfection of securities.

  New capital structure & changes in terms & conditions of the existing loans duly get reflected in the books of all the lenders and the borrower.

  It has to be GST registered on the date of implementation of restructuring unless specifically exempted.

Provision & NPA Classification

Provision of 5 % in addition to provision already held to be made in respect of accounts restructured as per the scheme.

Accounts classified as NPA can be restructured but, asset classification norms as prescribed by RBI governing restructuring of NPA's will continue to apply.

As general rule barring above one-time exception, any MSME account which is restructured to be downgraded to NPA on restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per RBI's IRAC norms. Such account to be considered for upgradation to standard only if it demonstrates satisfactory performance* during the specified period**.

Post restructuring, NPA classification of these accounts to be as per IRAC norms.

*** Satisfactory performance means no payment remain overdue for a period of more than 30 days in case of cash credit/overdraft account, satisfactory performance means that the outstanding in the account shall not be more than sanctioned limit or drawing power whichever is lower, for a period of more than 30 days.*

**Specified period means period of 1 year from the commencement of the first payment of interest or principal, whichever is later on the credit facility with the longest period of moratorium under the terms of restructuring package*

Monitoring

The Risk Team is responsible for monitoring of restructured cases on periodic basis.

5. Resolution Plan for Corporates

Resolution plans in respect of accounts where the aggregate exposure of the lending institutions at the time of invocation of the resolution process is `100 crore and above, shall require an independent credit evaluation (ICE) by any one credit rating agency (CRA) authorized by the Reserve Bank under the Prudential Framework.

Resolution Plan under consortium (or multiple banking arrangements)

- the resolution process shall be treated as invoked in respect of any borrower if lending institutions representing 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 per cent of lending institutions by number agree to invoke the same.
- ICA shall be required to be signed by all lending institutions within 30 days from the date of invocation.
- In cases where the resolution process has been invoked but lending institutions representing not less than 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based) and not less than 60 per cent of lending institutions by number, do not sign the ICA within 30 days from the invocation, the invocation will be treated as lapsed. In respect of such borrowers, the resolution process cannot be invoked again under this framework.

6. Resolution plan for Covid-19 related Stress

The Company may restructure the loans of its borrower within the overall framework provided by RBI vide circular dated August 6, 2020 - Resolution Framework for COVID-19- Related Stress and circular dated August 6, 2020 - Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances, as amended from time to time.

A. Restructuring of MSME Loans

A one-time restructuring of existing loans to MSMEs* classified as 'standard' without a downgrade in the asset classification is permitted, subject to the following conditions:

a) The aggregate exposure, including non-fund-based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on March 1, 2020.
b) The borrower's account was a 'standard asset' as on March 1, 2020.
c) The restructuring of the borrower account is implemented on or before March 31, 2021.
d) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
e) Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020, and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan. The asset classification benefit would be available only if the restructuring is done as per provisions of this circular.
f) As hitherto, for accounts restructured under these guidelines, Company shall maintain additional provision of 5% over and above the provision already held by it.

**1 Note-as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 (as stated in Annexure 1 below).*

For cases which have less than 15 lakhs of POS

- A template approach may be followed for approval as indicated by the grid.
- Auto approval can be provided if following criteria are met:

Criteria	Threshold
CIBIL Score V3.0	> = 669
Average Banking Credit (Aug '20 to completed Month before restructuring vs Q4 FY19, viz Jan – Mar 2020)	>50%
Personal Discussion	Not required

- If Average banking credit is less than 50% but greater than 25% then deviation can be approved by Division Credit Head on case-to-case basis.

Other deviation, if any, can be approved by Business Head/Risk Head on proposal from Division Credit Head.

For cases which have more than 15 lakh POS: -

Viability shall be determined by the sanctioning authority based on the acceptable viability benchmarks, which may be applied on a case-by-case basis, depending on the merits of each case.

The resurgence of Covid-19 pandemic (Second Wave) in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to MSMEs sector, the following measures are announced by RBI via Circular No RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 - Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) and further RBI.

Circular No. RBI/2021-22/47 DOR.STR.REC.20/21.04.048/2021-22 dated June 04, 2021, on Revision in the threshold for aggregate exposure and as per any further RBI's direction in this regard from time to time.

It has been decided to extend one-time restructuring existing loans without a downgrade in the asset classification subject to the following conditions:

i. The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021, in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
ii. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
iii. The aggregate exposure, including non-fund-based facilities, of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021.
iv. The borrower's account was a 'standard asset' as on March 31, 2021.
v. The borrower's account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated February11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars) or the circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on "Resolution Framework for COVID-19-related Stress.
vi. The restructuring of the borrower account is invoked by September 30, 2021.
vii. The restructuring of the borrower account is implemented within 90 days from the date of invocation.
viii. If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented. Certificate of Udyam Registration should be part of loan documentation for implementation.
ix. Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.
x. All other instructions specified in the circular DOR.No.BP. BC/4/21.04.048/2020-21 dated August 6, 2020, shall remain applicable.

It may be noted that the accounts which may have slipped into NPA category between April 1, 2021, and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

The restructuring cases as per above must satisfy that the same is necessitated on account of the economic fallout from Covid-19.

The same would be done as follows:

1) Restructuring of loans (Upto POS Rs. 15 lacs) to businesses wherein borrower/co-borrower/Key personnel or immediate family members have suffered from Covid leading to loss of business - Self -Declaration detailing down the Covid stress (i.e., Muted sales, labour shortage & liquidity etc.).

2) Restructuring of loans (Upto POS Rs. 50 lacs) to businesses which are given to industry severely impacted by covid & consequent lock downs (As given in Annexure IV)

3) Restructuring of loans to businesses which are not falling under 1 or 2 option above will be done basis customer's personal discussion with credit manager (online questionnaire or in person meeting) with impact substantiated by either banking statement or GST returns etc.

The cases have to be approved by the sanctioning authority (which forms part of credit policy) as approved by the Board from time to time.

All restructured loans to be regularly monitored by Risk Management team ongoing basis.

B. Resolution of Stress in Personal Loans

Coverage –

- Personal loans sanctioned to individual borrowers (first applicant) **.
- However, credit facilities provided to own personnel/staff shall not be eligible for resolution under this framework.

- Personal loans refers to loans given to individuals with no related company/non individual entity has been taken as co-borrower on the loan structure to supplement the income for repayment of loan and consist of (a) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), personal loans granted only to Individuals secured by immovable property which is in name of individual (other than for business / commercial purposes), (b) personal loans to professionals (excluding loans for business purposes) and (c) loans given for other consumptions purposes (e.g., social ceremonies, etc.).

**Note: 'Personal loans', shall have the same meaning as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017- 18 dated January 4, 2018, on "XBRL Returns – Harmonization of Banking Statistics".*

Eligibility –

- Loan accounts classified as 'standard', but not in default for more than 30 (thirty) days as on March 1, 2020.

- The eligible borrowers' accounts should continue to be classified as Standard till the date of invocation of resolution under this framework. For this purpose, the date of invocation shall be the date on which both the borrower and the Company have agreed to proceed with a resolution plan under this framework.

Timeline –

- Resolution under this framework may be invoked not later than December 31, 2020, and must be implemented within 90 days from the date of invocation.

Nature of Restructuring –

- The resolution plans may include rescheduling of payments, conversion of interest accrued/ to be accrued into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of 2 (two) years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

Approval –

Restructuring to be approved as per applicable sanctioning authority matrix.

Documentation

The resolution plan will be deemed to be implemented only after all the necessary documentation is completed, the revised terms are reflected in the books of the relevant Lenders and the borrower is not in default as per the revised terms.

B. RESOLUTION FRAMEWORK – 2.0: RESOLUTION OF COVID-19 RELATED STRESS OF INDIVIDUALS AND SMALL BUSINESSES

1. **INTRODUCTION**

The Reserve Bank of India vide its circular DOR.No.BP. BC/3/21.04.048/2020-21 dated August 6, 2020, on

"Resolution Framework for COVID-19-related Stress" ("Resolution Framework – 1.0") had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI vide Circular No - RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021) and further RBI Circular No. RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 04, 2021 on Revision in the threshold for aggregate exposure and as per any further RBI's direction in this regard from time to time. The Company has decided to extend the support to its individual borrowers and small businesses and accordingly, framed internal guidelines/ policy on Restructuring of such loans.

2. ELIGIBLE BORROWERS:

a. Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018, on "XBRL Returns – Harmonization of Banking Statistics"), excluding the credit facilities provided by lending institutions to their own personnel/staff.

b. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.

c. Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.

d. The credit exposure to the borrower should be standard as on 31st March 2021.

e. The borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 (Resolution Framework for COVID-19-related Stress dated August 06, 2020)

3. FEATURES OF RESOLUTION PLAN – INVOCATION AND IMPLEMENTATION

- Company is permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.
- The resolution plans implemented under this window 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.
- No compromise settlements will be permitted as a resolution plan for this purpose.

- The last date for invocation of resolution permitted under this window is September 30, 2021. the decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.
- The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years and shall come into force immediately upon implementation of the resolution plan.

Due Diligence for establishing impact of Covid – 19 pandemic on individual borrower are as follows: -

1. Check the business cash flows pre-pandemic and post pandemic.
2. Check impact of pandemic on profitability of the business
3. If required, establish these through banking or GST returns or any relevant documentation.
4. If borrower is salaried, confirm loss of employment / income levels.

4. **ASSET CLASSIFICATION AND PROVISIONING NORMS**

A. Asset classification:

If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts shall, upon implementation, be classified as below:

- Accounts classified as Standard may be retained as Standard and

- Accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.
- The subsequent asset classification for such exposures will be governed by the criteria laid out in the relevant instructions as applicable to NBFCs (“extant IRAC norms”).

B. Provisioning norms:

The Company shall keep provisions from the date of implementation, higher of the below:

a) provisions held as per the extant IRAC norms immediately before implementation, or

b) 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt).

C. Reversal of provisions:

The provisions made with respect to the accounts where resolution plan has been implemented shall be written back as below:

- 50% of the provisions made may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and
- the remaining 50% may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
- Provided that 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.

5. CONVERGENCE OF THE NORMS FOR LOANS RESOLVED PREVIOUSLY:

- In cases of loans of borrowers where resolution plans had been implemented in terms of the Resolution Framework – 1.0 (Resolution Framework for COVID-19-related Stress dated August 06, 2020) , and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, it is permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the overall caps of two years (Both Resolution Framework 1.0 & 2.0 combined)

- Resolution plan as above to be approved as per applicable sanctioning authority matrix.

6. WORKING CAPITAL SUPPORT FOR SMALL BUSINESSES WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY

- In respect of borrowers specified at sub-clauses (b) and (c) of Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.
- The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts

provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

- Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner.

7. MONITORING PROCESS

- Monitoring of all such accounts would be done regularly.
- The monitoring for the would be based on the guidance/ milestones shared by customer.
- Wherever required, a visit to the customer will be done.
- Ensuring customer adheres to revised repayment schedules.

8. DISCLOSURE

- Company shall make necessary disclosures in their financial statements for the quarters ending September 30,2021 and December 31, 2021, along with continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0 which shall also include the resolution plans implemented in terms of this Policy.
- Company may put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner.

C. RESOLUTION OF STRESS IN REAL ESTATE LOAN

The economic fallout on account of the COVID-19 pandemic has led to significant financial stress on Real Estate Developers across the board. The resultant stress can potentially impact the long-term viability of many projects, otherwise having a good track record under the existing promoters, due to disproportionate delay in project execution resulting from a slowdown in sales and collections. Such widespread impact could impair the entire recovery process, posing significant financial stability risks. Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, RBI has provided a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible exposures, while classifying such exposures as Standard subject to specified conditions. Such conditions are considered necessary to ensure that the facility of this resolution window is available only to the COVID-19 related stressed assets.

Further, in view of the continued need to support the viable Developers on account of the fallout of Covid-19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced on August 6, 2020, as a special window under the Prudential Framework on Resolution of Stressed Assets issued on June 7, 2019.

The framework enables lending institutions including NBFCs, which are an essential part of the lenders' pool under this Framework, to implement a Resolution Plan (RP) in respect of eligible corporate exposure even without change in ownership while classifying such exposure as Standard, subject to specified conditions.

Eligibility:

- Resolution under this Framework extended only to borrowers having stress on account of Covid-19.
- Only those borrowers which were classified as standard and with arrears less than 30 days as of March 1, 2020, are eligible under the Framework.

Invocation Date and implementation:

- Resolution Framework may be invoked not later than December 31, 2020.
- RP needs to be implemented within 180 days from the date of invocation.

Signing of ICA and provision requirements:

- Resolution process shall be treated as invoked once lenders representing 75% by value and 60% by number (Majority Lenders) agree to invoke the same.
- ICA to be signed by all lenders as specified in the RBI circular - Resolution Framework for COVID- 19-related Stress dated August 06, 2020, within 30 days of invocation. Other Lenders may also voluntarily sign the ICA.
- Lenders who have signed ICA, to make provision, higher of 10% or IRAC norms.
- Lenders who have not signed ICA, to make a provision higher of 20% or as per IRAC norms, upon expiry of 30 days from invocation.
- For signing of ICA – Authorisation for resolution plan and loan sanctioning matrix applicable from time to time will follow.

Guidelines:

- The residual tenor of the loan may be extended by maximum 2 years with or without payment moratorium. The moratorium period, if granted, shall come into force immediately upon implementation of the RP.
- The asset classification may be maintained as standard or upgraded to standard subject to the RP being implemented as per the Framework.
- For aggregate exposures greater than Rs. 100 cr, an Independent Credit Evaluation (ICE) to be obtained from any one Credit Rating Agency authorised by RBI. The credit opinion for this purpose should be RP4 or better for the residual debts from CRA/s.
- Sale of the exposures to other entities / investors will be as per extant guidelines of RBI.
  Granting additional finance including FILT may also be considered under the RP.

Evaluation and Assessment Framework for CRE Loans:

The Assessment Framework will evaluate the pre-COVID condition of the Borrower, the Impact due to COVID and Resolution process to be proposed.

Pre-COVID performance and Impact of COVID:

i. The Project performance to be assessed for one year before COVID onset i.e., April’19 to March’20.
ii. Impact on the project to be assessed for two quarters during April’20 to September’20 basis certain measurable parameters like minimum 10% drop in sales volume or Sale collection or labour strength or at site in comparison of last twelve months (upto March 2020) or delay in approval of the projects etc. for establishing existence or accentuation of COVID stress and based on the conditions examined during the pre-COVID project performance. Impact of these

conditions/factors to be assessed on overall performance and debt serviceability of the project.

The following parameters to be evaluated at Borrower level including SPV providing a quantitative impact on the Project on and before COVID:

- TOL/ATNW
- Total Debt / EBIDTA
- Current Ratio
- Debt Service Coverage Ratio (DSCR)
- Average DSCR

Resolution Process:

- RP to include restructuring / regularization / without change in ownership, if any, sanction of additional facilities.
- The RP to be prepared based on the pre-Covid-19 operating and financial performance of the borrower and impact of Covid-19 on its operating and financial performance in Q1 and Q2FY21, to assess the cash-flows for FY21 / FY22 and subsequent years till the tenure of the loan/facility.
- In these financial projections, the threshold TOL/Adjusted TNW and Debt/ EBIDTA ratios should be met by FY23.
- The other three threshold ratios should be met for each year of the projections starting from FY22 till the tenure of the loan/facility.
- The base case financial projections need to be prepared as part of RP.
- Post implementation performance monitoring and internal review to be conducted by Risk Team and review report to be placed to RMC/ Board on quarterly basis.

Thresholds:

	TOL/ATNW	Total Debt/EBITDA	Current Ratio	Avg DSCR	DSCR
Residential	<=7	<=9	>=1	>=1.2	>=1
Commercial	<=10	<=12	>=1	>=1.2	>=1

Guidelines for calculation of Financial Parameters:

- If the Borrower is a holding company, financial parameters to be concluded based on consolidated financials – to include the impact of project SPVs.
- In case collateral comprises of more than one project, DSCR to be calculated on a consolidated basis.

D. <u>RESOLUTION OF STRESS IN OTHER LOANS</u>

Coverage - all other eligible exposures not covered in Part ‘A’, ‘B’ and “C” above.

Eligibility - loan accounts classified as 'standard', but not in default for more than 30 (thirty) days as on March 1, 2020. Further, the account continues to be classified as Standard till the date of invocation of resolution under this framework. For this purpose, the date of invocation shall be the date on which both the borrower and the Company have agreed to proceed with a resolution plan under this framework.

Timeline - Resolution under this framework may be invoked not later than December 31, 2020, and must be implemented within 180 days from the date of invocation.

Assessment Parameters:
Assessment parameters of such loans will be in line with RBI COVID related guidelines including recommendations of K V Kamath's Committee as applicable.

The following parameters to be evaluated at Borrower level:

- DSCR –
- ADSCR –
- Current Ratio –
- TOL/ATNW –
- Total Debt/EBIDTA (Max) –

For the above parameters, sector - specific thresholds to be considered as mentioned in the RBI circular DOR No.BP.BC/13/21.04.048/2020-21.

The company can consider other financial parameters as well while finalizing the resolution assumptions in respect of eligible borrowers apart from the above mandatory key ratios and the sector-specific thresholds that have been prescribed.

Resolution Process:

- RP to include restructuring / regularization / sanction of additional facilities.
- The RP to be prepared based on the pre-Covid-19 operating and financial performance of the borrower and impact of Covid-19 on its operating and financial performance in Q1 and Q2FY21.
- In the financial projections, the threshold TOL/ATNW and Debt/ EBIDTA ratios should be met by FY23. The other three threshold ratios should be met for each year of the projections starting from FY22. The base case financial projections need to be prepared as part of Resolution Plan.

For other loan in wholesale line of business considering the unique nature of this facilities assessment parameters and approval will be delegated to Credit Committee as applicable.
Nature of Restructuring –

- The resolution plan may involve any action as provided in Paragraph 13 of the "Prudential Framework", except compromise settlements which shall continue to be governed by the provisions of the Prudential Framework or the relevant instructions, if any, applicable to specific category of lending institutions where the Prudential Framework is not applicable.

- The resolution plan may also include sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid-19 even if there is no renegotiation of existing debt.

- Resolution plan may allow extension of the residual tenor of the loan, with or without payment moratorium, by a period not more than two years. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

- The revised assumptions that go into the plan shall, at the minimum, factor in the financial parameters decided by the Expert Committee and the ranges for such parameters, as notified by the Reserve Bank of India.

- Conversion into other securities and valuation:

    1. Conversion of portion of debt into equity or other marketable, non-convertible debt securities, provided amortisation schedule and the coupon carried by such debt securities are similar to the terms of the debt held post implementation of the RP.

    2. Valuation of debt securities as per Master Circular on Valuations dated 1 July 2015

    3. Valuation of equity instruments same as defined in 7 June 2019-Prudential Framework.

    4. In case of conversion of debt to any other security – collective valuation to be INR 1/-.

Approval – Restructuring to be approved as per applicable sanctioning authority matrix.

The resolution plan will be deemed to be implemented only after all the necessary documentation is completed, the revised terms are reflected in the books of the relevant Lenders and the borrower is not in default as per the revised terms.

7. Other Loans

For loans not covered/qualified above if any, will be restructured as per the guidelines of the RBI, prevailing time to time.

8. Performance post implementation of plan

In case of personal loans, after implementation of the resolution plan, the subsequent asset classification will be governed as per the extant IRAC norms or other relevant instructions as applicable to the specific category of the Company.

In case of exposures other than personal loans, any default by the borrower with any of the ICA signatories during the monitoring period will trigger a review period of 30 days. For this purpose, 'monitoring period' means the period starting from the date of implementation of the resolution plan till the borrower pays 10% of the residual debt, subject to a minimum of 1 year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with the longest moratorium period.

In the event the borrower is in default with any of the ICA signatories at the end of the aforesaid review period, the asset classification of the borrower with all the Lenders, including the non-ICA signatories, will be downgraded to NPA from the date of implementation of the resolution plan or the date from which the borrower had been classified as NPA before implementation of the plan, whichever is earlier.

If the monitoring period is over without the account being classified as NPA, the asset classification norms will revert to the criteria laid out in the extant IRAC norms or other relevant instructions as applicable to the specific category of Lenders.

9. Disclosure Requirements & Credit Reporting

Quarterly, half yearly and annual disclosures in the financial statements (as the case may be) shall be made by the Company in the prescribed format as given by RBI from time to time till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

Further, the credit reporting in respect of borrowers where the resolution plan is implemented under this window shall reflect the “restructured due to COVID_19” status of the account.

10. Grievance Redressal System

The company’s Grievance redressal Policy as published in the website time to time will be applicable for borrowers who request for resolution under the window and / or are undergoing resolution under this window.

11. Review Policy

Any or all provisions of this Policy would be subject to revision/ amendment in accordance with the amendments, circulars, notifications etc. on the subject as may be issued by the Reserve Bank of India, from time to time. The board shall review the policy at least annually. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

12. ANNEXURES

ANNEXURE I – MSME DEFINITION

CLASSIFICATION OF ENTERPRISES-

An enterprise shall be classified as a micro, small or medium enterprise on the basis of the following criteria, namely: --

Classification	Micro	Small	Medium
Manufacturing and services enterprises	Investment in Plant & Machinery or Equipment: <=₹1 crore and Turnover: <=₹5 crore	Investment in Plant & Machinery or Equipment: <=₹10 crore and Turnover: <=₹50 crore	Investment in Plant & Machinery or Equipment: <=₹50 crore and Turnover: <=₹250 crore

Pursuant to RBI clarification Circular dated August 21, 2020, all Enterprises are required to register. online and obtain Udyam Registration Certificate. The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum of the MSMEs obtained till June 30, 2020, shall remain valid till March 31, 2021. Further, all enterprises registered till June 30, 2020, shall file new registration in the Udyam Registration Portal well before March 31, 2021.

Udyam Registration Certificate issued on self-declaration basis for enterprises exempted from filing GSTR and / or ITR returns will be valid for the time being upto March 31, 2021.

For the definition of calculation of investment in plant and machinery or equipment and calculation of turnover refer the detailed circular of MSME.

ANNEXURE II – RESTRUCTURING SCHEMES (PERSONAL LOANS AS MENTIONED IN PARA B ABOVE)

1. Option 1. Moratorium and Composite Loan:

Due to slow business recovery during unlocking of economy, many businesses are yet to resume their normal cycles. The businesses that have started, are picking up pace very slowly. A set of such borrowers have sought moratorium of their loan repayments up to six months.
In light of the above, we could assist such borrowers by offering them an option restructuring of their loans through a moratorium of 6 (Six) months from date of implementation.
Scheme Details
The entire accrued interest of the six months moratorium period along with overdue charges if any are to be added to the Principal Outstanding as of date of restructuring. The borrower is to pay only simple interest on this composite loan amount during the moratorium and resume paying the EMI on the complete loan post completion of the moratorium period.

Eligibility
Besides the eligibility parameters defined earlier, the following needs to be checked:

i. Minimum vintage of 1 (One) year on books
ii. No critical PDDs pending.

Process
Borrower needs to apply for the Moratorium and Composite Loan scheme. Upon approval of the scheme, the accrued interest for the moratorium period along with overdue charges if any to be added to loan amount and Interest only repayment to be given for the moratorium period. No payout to the borrower.

Tenor
The tenor to be increased in proportion to the moratorium period offered to the borrower.

Rate of Interest
To remain unchanged.

Fees
Borrower to be charged one-time restructuring fees of 2% + GST.

Documentation

- Customer request letter for Composite Loan + Moratorium option.
- Applicant and co-applicants KYCs or updated KYC documents, in case of changes therein.
- All related documentation including creation / modification of charge/ perfection of securities, as applicable.
- No other change in existing terms and condition of the loan.

2. Option 2 - Increase in the Loan Tenor:

Due to the lockdown, many businesses have reduced their volumes inducing pressure on the borrower's cashflows. Several salaried borrowers also have taken a cut in their monthly remuneration. A set of such borrowers have sought respite or reduction in their monthly outflow for the EMI repayments.

We could offer such borrowers by reduction in their monthly EMIs by increasing their residual loan tenor by maximum 24 (Twenty-four) months from the date of implementation.

Scheme Details

The entire Principle Outstanding as of date of offering of restructuring is amortized over a period of remaining tenor plus 24 (Twenty-Four) months. The increase in the tenor would induce reduction in the monthly EMI for the entire balance increased tenor of the borrower offering them the comfort on cash flows required.

Eligibility

Besides the eligibility parameters defined earlier, the following needs to be checked:

i. Minimum vintage of 1 (One) year on books
ii. No critical PDDs pending.

Process

Borrower needs to apply for the increase in the tenor. Upon approval of the scheme, amortization of the loan is redone by adding 24 (Twenty-Four) months to the residual tenor and from next EMI Cycle onwards, the borrower would be paying as per the revised amortization schedule.

Tenor

The tenor to be increased by 24 (Twenty-Four) months for borrowers.

Rate of Interest

To remain unchanged

Fees

Borrower to be charged one-time restructuring fees of 2% + GST.

Documentation

- Customer request letter for Composite Loan + Moratorium option.
- Applicant and co-applicants KYCs or updated KYC documents, in case of changes therein.
- All related documentation including creation / modification of charge/ perfection of securities, as applicable.
- No other change in existing terms and condition of the loan.

3. <u>Option 3 - Funded Interest Term Loan (FITL) :</u>

The lockdown has had severe adverse impact on various businesses disrupting the cashflows. Businesses that have been inherently stable have been facing temporary cash flow restraints. A set of such borrowers have sought respite of their loan repayments.

In light of the above, we could offer such borrowers an option restructuring of their loans by offering them a moratorium on their loan for a period of 12 (Twelve) months. The repayment dues towards interest accrued during this period to be booked as a separate FITL loan.

Scheme Details

The entire accrued interest of the twelve months moratorium period is to be added to the FITL to be created as of date of restructuring. FITL to be co-terminus with the original loan. The borrower is to pay the EMIS of the FITL starting with the date of booking the FITL. The borrower resumes paying the EMI on the original loan and continues to pay EMI on the FITL post completion of the moratorium period.

Eligibility

Besides the eligibility parameters defined earlier, the following needs to be checked:

i. Minimum vintage of 1 (One) year on books
ii. No critical PDDs pending

Process

Borrower needs to apply for the FITL scheme. Upon approval of the scheme, the accrued interest repayment dues for the moratorium period to be added to FITL Amount. The repayment of FITL to be started. No payout to the borrower.

Tenor

The FITL would be co-terminus with the original loan.

Rate of Interest

To remain unchanged.

Fees

Borrower to be charged one-time restructuring fees of 2% + GST.

Documentation

- Customer request letter for Composite Loan + Moratorium option.
- Applicant and co-applicants KYCs or updated KYC documents, in case of changes therein.
- All related documentation including creation / modification of charge/ perfection of securities, as applicable
- No other change in existing terms and condition of the loan.

4. <u>Step Up EMIs</u>

Due to the disruption in cashflows caused by the lockdown, the repayment capacity of some borrowers has got severely impacted. Though, the disruption is temporary, the borrowers would take time to reinstate their normal business cycle.

In light of the above, we could offer such borrowers an option restructuring of their loans by offering them graded repayment option. The repayment for twelve months from date of restructuring would be a fraction of the original EMI. The normal EMI would resume after twelve months. The tenor of these loans would go up to the extent of reduction in EMIs.

Scheme Details

The borrowers EMIs would be reduced from the restructuring date as per following grid:

Time Period	EMI Percentage
First Twelve Months	30%
After Twelve Months	100%

Eligibility

Besides the eligibility parameters defined earlier, the following needs to be checked.

- Minimum vintage of 1 (One) year on books
- No critical PDDs pending.

Process

Borrower needs to apply for the Step-up EMI Scheme. Upon approval of the scheme, the following would be done:

- Setup a loan with EMI equivalent to 30% of original EMI
- Disbursement of this loan would be used to effect part prepayment in the original loan.
- This loan to factor in capitalized value of accrued interest of the original loan ➢ Repayment of this new loan would commence immediately.
- Original loan would be given a moratorium of twelve months.
- The POS of the original loan now would be = (Opening POS before restructuring) – (Repayment effected through newly setup loan)
- The EMI of the original loan would be reduced to the extent of repayment through disbursement of new loan.

Tenor

Both the loans would be co-terminus. The tenor to increase proportionate to the reduction of EMIs.

Rate of Interest

To remain unchanged

Fees

Borrower to be charged onetime restructuring fees of 2% + GST.

Documentation

a. Customer request letter for opting for Step Up EMI
b. New loan application
c. Applicant and co-applicants KYCs or updated KYC documents, in case of changes therein
d. All related documentation including creation / modification of charge/ perfection of securities, as applicable e. No other change in existing terms and condition of the loan.

Annexure III

A) Resolution of Stress in Construction Finance (CF) Loans

1. **Identification of the cases**: We have listed out the cases for DCCO extension, wherein the liquidity mismatch is expected to be temporary in nature and thus, as extension of 12 months will ease out the stress. DCCO extension is being done keeping in view the overall uncertainty in the current environment for the next 6-12 months. This extension would provide the required cushion to the customer reducing the pressure on them of the loan repayment while strategizing on completing the project construction and aiming for better sales and collections in this period.

2. **Request letter:** A formal request letter applying for the DCCO extension, from the Borrower, shall be obtained.
3. **Implementation**: We shall prepare a note with all the details of the loan and the background of the facility. The proposal part of the note shall contain a detailed explanation of the delay in the project. All proofs and documents shall form part of the note. Also, cashflows shall be redrafted and detailed in the note.

4. **Additional Comfort**: Apart from Interest repayment during the moratorium period (extended period as per revised DCCO), there shall be Principal repayment by way of additional capitalization i.e., using part of project Inflows deposited in our escrow account towards Principal prepayment. This would ensure reduction in the POS even during the extended moratorium period.

5. **Approval**: The note shall pass through the Risk, compliance & Legal team for approvals (as required). Thereafter, will be required to be approved as per applicable sanctioning authority matrix applicable for the approvals of change in the sanctioned terms, post sanction.

6. **Communication**: Post the approval, a formal communication shall be made to the Borrower stating the extension allowed as per the approved conditions.

ANNEXURE IV

Other Guidelines for Restructuring

- Borrowers indulging in frauds and malfeasance shall continue to remain ineligible for restructuring.
- The Company shall decide on the issue regarding convertibility (into equity) option as a part of restructuring exercise whereby the Company shall have the right to convert a portion of the restructured amount into equity, keeping in view the relevant SEBI regulations.
- All restructuring packages shall be required to be implemented in a time bound manner. All restructuring packages under CDR / JLF / Consortium / MBA arrangement shall be implemented within 90 days from the date of approval. Other restructuring packages shall be implemented within 120 days from the date of receipt of application by the Company.
- Promoters must bring additional funds in all cases of restructuring. Additional funds brought by promoters shall be a minimum of 20 per cent of Company's sacrifice or 2 per cent of the restructured debt, whichever is higher. The promoters' contribution shall invariably be brought upfront while extending the restructuring benefits to the borrowers. Promoter's contribution needs not necessarily be brought in cash and can be brought in the form of conversion of unsecured loan from the promoters into equity.
- The Company shall determine a reasonable time period during which the account is likely to become viable, based on the cash flow and the Techno Economic Viability (TEV) study.
- The Company shall be satisfied that the post restructuring repayment period is reasonable, and commensurate with the estimated cash flows and required DSCR. The same may be decided by the sanctioning authority on a case-to-case basis.
- The Company shall clearly document its own due diligence done in assessing the TEV and the viability of the assumptions underlying the restructured repayment terms.
- The accounts classified as 'standard assets' shall be immediately reclassified as 'sub-standard asset'.

Restructured accounts classified as non-performing advances, when upgraded to standard category shall attract a higher provision (as prescribed from time to time) in the first year from the date of up-gradation.

ANNEXURE V

S.No.	Sectors- K V Kamath Committee	ECLGS 3.0 Sectors
1	Power	Hospitality
2	Construction	Travel & Tourism
3	Iron & Steel Manufacturing	Leisure
4	Roads	Sporting
5	Real Estate	
6	Trading-Wholesale	
7	Textiles	
8	Chemicals	
9	Consumer Durables	
10	Non-ferrous Metals	
11	Logistics	
12	Gems & Jewellery	
13	Cement	
14	Auto Components	
15	Hotel, Restaurants, Tourism	
16	Mining	
17	Plastic Products Manufacturing	
18	Automobile Manufacturing	
19	Auto Dealership	
20	Aviation	
21	Sugar	
22	Port & Port services	
23	Shipping	
24	Building Materials	
25	Corporate Retail Outlets	