Policy on
Restructuring of MSME Advances on Account of COVID-19 Resolution 2.0
AND
Resolution Framework For COVID-19-related Stressed Assets Resolution 2.0

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Policy Approval Committee	
Board Committee	Board of Directors
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1			
2			

Mr. Nitin Chugh
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Policy for Restructuring of Loans affected By Covid- 19 related stress 2.0

Background

Resolution Framework 1.0

The Reserve Bank of India issued resolution guidelines for borrowers affected by Covid-19 vide their Circulars for Resolution Framework for Covid- 19 Related Stress (Ref. no RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August, 2020) and MSME Sector – Restructuring of Advances (Ref. no RBI/2020 21/17 DOR.No.BP.BC/4/21.04.048/2020-21,dated 6th August, 2020).

Ujjivan Small Finance Bank (herein after called as "the Bank") formulated a policy as per the directives of Reserve Bank of India as enunciated in their circulars for Resolution Framework 1.0. This policy was approved by the Board on 7th November, 2020. Subsequently, the policy was updated addressing observations made by Internal Auditors and was approved by the Board on 3rd March, 2021 by circulation.

Resolution Framework 2.0

This policy is an addendum to the previous policy (Resolution Framework 1.0) as several aspects from the earlier policy are relevant in the current framework as well. This policy has been formulated in compliance with the directives of Reserve Bank of India (RBI) as enunciated in their Circulars for Resolution Framework 2.0 - Resolution for Covid- 19 Related Stress of Individuals and Small Businesses (Ref. no RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22, dated 5th May, 2021) and Resolution Framework 2.0 – Resolution of Covid 19 related Stress of MSME Sector – (Ref. no RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22, dated 5th May, 2021)

The Resolution Framework 2.0 for Covid-19 related stress for individuals and small businesses (Ref. no RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22, dated 5th May, 2021) has 2 parts:
Part-A covers resolution of advances to individuals and small businesses; and
Part –B covers working capital support for small businesses where resolution plan is implemented previously.
Hence, there are three different aspects of the above guidelines viz. restructuring of MSME entities, resolution of stress for advances to individuals and small businesses and providing working capital support to small businesses, which are being presented in different sections of this policy.

Section 1 of this policy summarizes guidelines for restructuring of MSME entities on account of Covid-19 derived from RBI circular for Resolution Framework 2.0 for MSME Sector –(Ref. no RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22, dated 5th May, 2021).

Section 2 of this policy summarises guidelines for resolution of stress for individuals and small businesses. Personal loans for the resolution purpose under this policy shall have the same

meaning as defined in RBI Circular DBR.No.BP.BC.99/08.13.100/2017-18, dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics".
Framework for resolution of stress for individuals and small businesses is presented in Section 2- PART – A and framework for providing working capital support to eligible borrowers is presented in Section 2- PART – B of this policy.

Major Differences between Resolution Framework 1.0 and 2.0 are given below: For Loans to Individuals and Small Businesses

	Resolution Framework 1.0 (RBI Guidelines)	**Resolution Framework 2.0 (RBI Guidelines)**
Eligibility	Borrower was classified as Standard but DPD was not more than 30 days as on 1st Mar-20.	Borrower was classified as Standard as on 31st March-21 (DPD <91 days)
Moved to NPA	The eligible borrower's account should continue to be classified as Standard till the date of invocation under the framework.	Accounts which may have slipped into NPA between April 1, 2021 and implementation of the Resolution Plan may be upgraded as Standard, as on the date of implementation of the Resolution Plan. (RBI Mail confirmation dt.20th May-21). However in such instances, the higher of the RBI mandated provision as per the Resolution Framework and that applicable to an NPA account, would apply.
Invocation definition	The date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework	The resolution process under this framework shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.
Financial parameters	RBI guidelines (Resolution Framework for Covid-19-related Stress – Financial Parameter, dated September 07, 2020) require that while extending restructuring, banks should do an assessment of the financial health of the borrower including an assessment of key financial ratios.	Assessment of financial parameters with sector specific benchmarks is not required.

	Resolution Framework 1.0 (RBI Guidelines)	Resolution Framework 2.0 (RBI Guidelines)
Reversal of Provision	For Personal and Other Eligible Borrowers: Half of provision may be written back upon the borrower paying at least 20 per cent of the carrying debt without slipping into NPA post implementation of the plan and the remaining half may be written back upon the borrower paying another 10 per cent of the carrying debt without slipping into NPA subsequently	For Small Businesses and Individuals having loans and advances for business purpose: In case of Personal Loans resolved under this framework, half of the above provision 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 half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently. 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.

Major Differences between Resolution Framework 1.0 and 2.0 are given below: For MSMEs

	Resolution Framework 1.0 (RBI Guidelines)	Resolution Framework 2.0 (RBI Guidelines)
Definition of MSME	Definition of MSME was as existed as on 1st March, 2020.	Definition of MSME is as given in Gazette Notification as on 26th June, 2020.
Provision rate	Additional provision of 5% over and above the provision already held by the Bank.	10 percent of the renegotiated debt exposure of the Bank post implementation (residual debt).
Invocation definition	The date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework	The resolution process under this framework shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.
Implementation Timeline	The restructuring of the borrowing account was to be implemented by 31st March, 2021.	The restructuring of the borrowing account is to be implemented within 90 days from the date of invocation.

Written Communication	Not Available	The decision of the Bank w.r.t. restructuring under Resolution Framework 2.0 shall be communicated in writing to the customer within 30 days from the date of receipt of such application. Written communication is specific to those cases where customer is approaching the Bank and not applicable to all cases where majority will be approached by the Bank at centre meetings.

Section – 1
Restructuring of MSME Entities on Account of Covid -19

1.0 Objective and Regulatory Guidelines: Restructuring of MSME Entities:

1.1 In view of the continued need to support viable MSME entities RBI had allowed banks to do a One Time Restructuring of existing Standard MSME entities without a downgrade in the Asset Classification vide their circular number RBI/2018-19/100 - DBR.No.BP.BC.18/21.04.048/2018-19 dated 1st January, 2019. Ujjivan Small Finance Bank (hereinafter called "the Bank") has not restructured any loan under this framework.

1.2 In its continuous endeavour to support viable MSME entities, RBI extended the One Time Restructuring scheme again on 11th February, 2020 vide their circular number RBI/2019-20/160 -DOR.No.BP.BC.34/21.04.048/2019-20. The Bank has not restructured any loan under this framework either.

1.3 On similar lines, to support viable MSME entities on account of the fallout of Covid19 RBI has decided to extend the scheme permitted in terms of the aforesaid circulars of 1st January, 2019 and 11th February, 2020 and issued guidelines - MSME Sector – Restructuring of Advances (Ref. No. RBI/2020 21/17 DOR.No.BP.BC/4/21.04.048/2020-21,dated 6th August, 2020). The Bank has restructured a small portfolio under these guidelines.

1.4 Further, to address the uncertainties created by the resurgence of the Covid-19 pandemic, RBI decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification, vide circular RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 issued on May 5, 2021.

1.5 Similarly, to address Covid 19 – related stress to other category of advances which do not fall under MSME category, RBI issued guidelines - Resolution Framework for Covid-19 Related Stress (Ref. No. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August, 2020)

1.6 Further, to address the resurgence of Covid-19 pandemic in India and the consequent containment measures to check the spread of the pandemic, with the objective of alleviating the potential stress to individual borrowers and small businesses, RBI announced "Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses", vide circular "RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22" issued on May 5, 2021.

1.7 In terms of the guidelines contained in the circular relevant to the MSME sector, existing loans to MSMEs classified as 'Standard' as on 31st March,2021 (DPD <91 days) may be restructured without a downgrade in the asset classification, subject to adhering to certain conditions. The section below of the policy deals with the guidelines specific to restructuring of loans extended to entities that qualify as MSME on the books of the Bank.

2.0 Specified Conditions for eligibility of restructuring of loans to MSMEs:

2.1 The aggregate exposure, including non-fund based facilities, of banks and Non-Bank Financial Companies (NBFCs) to the borrower should not exceed ₹25 crore as on March 31, 2021.

2.2 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.

2.3 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.

2.4 The borrower's account was a 'Standard Asset' (DPD < 91 days) as on March 31, 2021.

2.5 The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the Bank from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the Bank within 30 days of receipt of such applications.

2.6 The restructuring of the borrowing account is to be implemented within 90 days from the date of invocation.

2.7 The borrowing entity should be 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.

2.8 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 February 11, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars).

2.9 In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, the Bank is 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 the Bank by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the Bank 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.

2.10 A restructuring would be treated as implemented if the following conditions are met:

- *All related documentation, including execution of necessary agreements between the bank and borrower/ creation of security charge / perfection of securities are completed by the bank; and*
- *the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of the bank and the borrower*

3.0 Asset Classification and provisioning:

3.1 Asset classification of borrowers classified as standard may be retained as such, whereas 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. However Bank shall maintain provision as applicable to the NPA status of the account. This may be a manual process for the MSE loans on the Bank's books and also for a few other verticals. The Bank will endeavour to make the process automated given the recent RBI guidelines that there shall be no manual intervention in any system for income recognition, asset classification and provisioning process. Automation is expected to be implemented by 30th June 2021. However, since implementation of restructuring within the Resolution framework will commence before 30th June, 2021, it is very likely that there will be manual interventions if process automation does not happen within the prescribed timelines. The asset classification benefit will be available only if the restructuring is done as per provisions of the circular dated 05th May, 2021. Accounts which have already been provided repayment holiday under respective SLBC guidelines (due to natural calamity) and any other standard rescheduled cases will be eligible for restructuring under the current Resolution Framework 2.0 dated 5th May, 2021, subject to meeting all regulatory requirements under the framework. Existing NPA rescheduled cases, if any, shall be excluded from Resolution herewith. Implementation of restructuring under this guideline has to be implemented by 28th December, 2021.

3.2 As hitherto, for accounts restructured under these guidelines, the Bank is required to maintain10 percent of the renegotiated debt exposure of the Bank post implementation (residual debt). IRAC guidelines however stipulate that in the case of secured asset, the diminution in Fair Value of the asset following the restructuring has to be provided for additionally. The Bank has made a reference to RBI in this regard, and should this provision be made applicable as well, the Bank shall make additional provision on the restructured exposure as computed in each loan that is restructured.

3.3 The Bank has the option of reversing such provisions at the end of the specified period, subject to the account demonstrating satisfactory performance during the specified period.

3.4 'Specified Period' means a period of 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 under the terms of restructuring package.

3.5 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days at the end of specific period. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days. This is consistent with the extant IRAC guidelines. If any provision is to be reversed on any of the accounts that have been restructured, it would have to comply with the condition stipulated herein.

3.6 Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.

4.0 Disclosure and General Instruction:

4.1 The Bank is required to make appropriate disclosures in the financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under these instructions as per the following format:

Number of Accounts Restructured	Amount in Rs. Million

4.2 As a general rule, barring the above one-time exception, any MSME account which is restructured must be downgraded to NPA upon restructuring and will slip into progressively lower asset classification and higher provisioning requirements as per extant IRAC norms. Such an account may be considered for up gradation to 'standard' only if it demonstrates satisfactory performance during the specified period.

4.3 Accounts which have already been restructured in terms of RBI circular on MSME Restructuring published on 1st January, 2019 (Ref No. RBI/2018-19/100 - DBR.No.BP.BC.18/21.04.048/2018-19) shall be ineligible for restructuring under this framework (this provision is not applicable to the Bank as the Bank did not restructure any account under the scheme outlined on 1st January 2019). Any other restructured accounts for MSME book (except those rescheduled under the SLBC guidelines due to natural calamity and Standard rescheduled cases), if any, will be excluded from Covid-19 specific Resolution Framework.

Section – 2 – PART - A
Resolution Framework for COVID-19-Related Stress for Loans to Individuals and Small Businesses

1.0 Objective and Regulatory Guidelines:

The Bank 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.

Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 ("**Prudential Framework"**), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

1.1 With the objective of alleviating the potential stress to individual borrowers and small businesses on account of resurgence of Covid-19, RBI has announced Resolution Framework 2.0 for Covid-19 related stress for individual loans and small businesses. This is in addition to the circular relating to restructuring of MSME assets, as summarised in para 1 to 4 of Section -1 (Restructuring of MSME entities on account of Covid-19) of this policy.

The guidelines for Resolution Framework 2.0 for Covid -19 related stress for individual loans and small business has two parts viz. Resolution of advances to individuals and small businesses and working capital support.

1.2 Section -2 – PART - A of this policy addresses the resolution framework for advances to individuals and small businesses and Section – 2 – PART B of this policy addresses guidelines pertaining to working capital support for individuals who have availed loans for business purposes and small businesses where resolution plans were implemented previously. Credit exposures of borrower will remain standard upon implementation of the resolution plan.

1.3 The Bank has to ensure that the resolution under this facility is extended only to borrowers having stress on account of Covid19.

2.0 Definition of Personal Loan:
As recorded earlier, Personal loans refer to loans given to individuals. Personal loans for the resolution purpose under this policy 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". Accordingly, Personal Loans will include:

a. Consumer Credit which includes-

- Loans for consumer durables;
- Credit Card receivables;
- Auto loans (other than loans for commercial use);

- Personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes); and
- Personal loans to professionals (excluding loans for business purposes), and
- Loans given for other consumption purposes (e.g., social ceremonies, etc.).

b. Education Loan;

c. Loan Against Property, Housing Loan including Home Improvement Loan-

d. Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.); and

e. Loans given for investment in financial assets (shares, debentures, etc.).

f. Farm Credit: Restructuring of farm credit is permitted under different segments of the two separate guidelines issued by Reserve Bank of India, which are listed below:

- Loans for allied activities viz., dairy, fishery, animal husbandry, poultry, bee keeping and sericulture are included.

- If these loans are provided for business purposes, and entities satisfy the requirement of MSME as extant on 26th June, 2020, the resolution will be under the MSME framework defined earlier. It needs to be recorded here that Agri and MSME are completely different sectors, yet there could be select few activities which may overlap. Provision for inclusion of such activities within the ambit of the guidelines relevant to restructuring of MSME loans is being retained in the policy so that entities dealing with Agri, which satisfy the directives of RBI in terms of classification of MSMEs can be covered within this provision;

- Subject to these, loans given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.

- Individuals who have availed of personal loans, excluding the credit facilities provided by lending institutions to their own personnel/staff

3.0 Not Eligible for Resolution:

The following categories of borrowers / credit facilities are not eligible for a resolution plan under this framework:

a. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or more as on 31st March, 2021.

b. All farm credit exposures of the nature listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated), except those that are specifically permitted and listed above, are excluded from the scope of the Resolution Framework. A representation has been made through the Association of

Small Finance Banks of India to RBI for inclusion of loans to agri sector as part of the Resolution Framework. A decision in the matter is awaited.

c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.

d. Exposures of the Bank to Financial Service Providers. Financial Service Provider means a person engaged in the business of providing financial services in terms of authorisation issued or registration granted by a financial sector regulator. Hence, resolution under this framework is not allowed for FI customers.

e. Exposures of the Bank to Central and State Governments, Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

f. Exposures of housing finance companies where the account has been rescheduled in terms of para 2(1)(zc)(ii) of the Master Circular - The Housing Finance Companies (NHB) Directions, 2010 after March 1, 2020.

4.0 Condition for Resolution of advances to Individuals and Small Businesses under Resolution Framework 2.0 for Covid -19 related stress:

4.1 Personal Loan is sanctioned to Individual Borrowers, adhering to the definition as specified in Para 2.0 of section 2- PART - A (Resolution Framework 2.0 for Covid-19 Related Stress of advances to individuals and small businesses of this policy.

4.2 Credit facilities sanctioned to staff of the Bank are not eligible for resolution under this framework.

4.3 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.25 crore as on March 31, 2021.

4.4 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.25 crore as on March 31, 2021.

4.5 A borrower account is not eligible for resolution under this framework if she/he has availed any resolution in terms of resolution framework 1.0. However, if under resolution framework 1.0, the resolution plan had provided no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, the Bank is permitted to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years, and the consequent changes necessary in the terms of the loan for implementing such extension.

4.6 As enunciated in Resolution Framework 2.0 for advances to individuals and small businesses, only those borrower accounts shall be eligible for resolution under this framework which were classified as standard with the Bank as on March 31, 2021. Subsequently on Bank's representation, RBI has clarified through mail that ***If a resolution plan is implemented in adherence to the provisions of Resolution Framework 2.0 for individuals and small businesses, borrowers' accounts which may have slipped into NPA between April 1, 2021 and implementation of the resolution plan may be upgraded as Standard, as on the date of implementation of the resolution plan.*** **Accordingly, a borrower who has slipped into NPA between 1st April, 2021 and implementation date is eligible for restructuring under this framework. However, in such instances, the higher of the RBI mandated provision under the Resolution Framework 2.0 and that applicable to NPA accounts, shall apply.**

4.7 The reference date for the outstanding amount of debt that may be considered for resolution shall be 1st April, 2021. If a customer has made any payment between 1st April, 2021 to the date of implementation of restructuring, the payment should be apportioned as per the appropriation logic as defined in the Bank's NPA Management Policy. The balance outstanding amount (OSP as of last paid date + Interest calculated on standstill OSP) as on the date of implementation should be considered for restructuring.

4.8 The resolution process under this framework shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.

4.9 Resolution under this framework may be invoked not later than September 30, 2021 and must be implemented within 90 days from the date of invocation. Final date of completion of restructuring of loans under Part A of the resolution framework 2.0 is therefore 28th December, 2021.

4.10 The resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or revision in working capital sanction, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years[1]. 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. Compromise settlements are not permitted as a resolution plan for this purpose.

4.11 The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

a. All related documentation, including execution of necessary agreements between the Bank and borrower and collaterals provided, if any, are completed by the Bank in consonance with the resolution plan being implemented;

[1] In exceptional circumstances the Bank may consider beyond two years in which case the restructuring will not be covered within the Covid-19 related framework but under the Restructuring Policy of the Bank.

b. The changes in the terms and conditions of the loans get duly reflected in the books of the Bank; and

c. The borrower is not in default with the Bank as per the revised terms.

4.12 Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework.

<u>Section – 2 – PART - B</u>

<u>Resolution Framework 2.0 for COVID-19-Related Stress in form of working capital support for small businesses where resolution plans were implemented previously</u>

1.0 Condition for working capital support:

The eligibility conditions for resolution in form of working capital support for Covid 19 related stress are given below:

1.1 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.25 crore as on March 31, 2021.

1.2 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.25 crore as on March 31, 2021.

1.3 Resolution plan had been implemented in terms of Resolution Framework 1.0.

1.4 Other conditions remained same as stated in Para 4.0 of Section 2 - Part A – of this policy.

2.0 In respect of borrowers specified at para 1.1 and 1.2 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, the Bank is 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 the Bank 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.

3.0 The above measures shall be contingent on the Bank satisfying itself 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 Bank's justifiability on account of the economic fallout from COVID-19.

Section – 3
General Eligibility Criteria

1.0 General Eligibility Criteria for Restructuring of MSME borrowers and Resolution Framework for Covid 19 for Individuals and Small Businesses:

Following criteria are **internally decided** by the Bank and are in addition to the specified conditions prescribed by the RBI (as stated in para 2.0 of Section 1, para 4.0 of Section 2- PART –A and para 1.0 of Section 2- PART –B of this policy) that may be considered for MSME borrowers eligible for restructuring and borrowers of Housing Loans, Personal Loans and Vehicle Loans eligible for resolution under Covid-19 framework 2.0. In addition to the following criteria, vertical specific criteria are given in the approach adopted by these verticals in respective paragraphs. Eligibility criteria for Micro-Banking loans are given separately.

1.1 A borrower indulging in fraud and malfeasance will not be eligible for restructuring.

1.2 If branches/ credit/internal audit/vigilance have identified the borrower as negative, the customer will not be eligible for restructuring.

1.3 If customer has two loans, provision shall be made to restructure both the loans into one loan or as separate loans depending on customer's need and system feasibility. Either a single loan or all loans of a borrower may be restructured together. The identification and restructuring flagging will be done at account level in the system and reported accordingly to the Credit Bureaus.

1.4 Where two loans are combined into one and both are restructured, for instance where a borrower has both an Overdraft and a Term Loan and these are aggregated and restructured, the Bank and the borrower can mutually decide on the product category, but in a restructuring, this is usually an amortising term loan. Since such restructuring will be under the specific guidelines of the RBI in relation to relief under Covid-19, and this will require to be disclosed as part of material disclosures by the Bank, there will be a separate tagging in the system to identify loans which have been restructured under this dispensation.

1.5 If a borrower has two loans where one loan is eligible for restructuring under this framework and the other loan is not eligible subject to ensuring that the non-eligibility of loan is not because the other loan had turned into NPA then provision requirement will be different for these two loans. This implies that provision requirement for restructured loan may be 10% or higher if restructured under the Resolution framework 2.0. If the second loan is not restructured, provisioning will be as per the extant Board approved provisioning policy of the Bank.

While an account will be tagged as restructured on the system, it needs to be determined whether credit bureaus where data for microfinance borrowers are submitted, namely Equifax and High Mark, now have the facility to tag an account as restructured. This was not available at the time of implementation of Resolution Framework 1.0. Only the DPD at the account level was being recorded. The facility of tagging an account as restructured exists with CIBIL only. Reporting to the credit bureaus will be at account level as per extant procedure. The existing prudential guidelines are applicable after the borrower has been restructured under this framework. Hence, if subsequently, one of the loans of this borrower becomes an NPA, then all loans (including the restructured loan under Covid-19 framework) will also become an NPA because as per prudential guidelines, all facilities of a borrower becomes an NPA if any of his facility becomes an NPA.

1.6 Restructuring should not be used for evergreening of a loan account.

1.7 Restructuring is to be undertaken with the outstanding balance (OSP as of last paid date + Interest calculated on standstill OSP) as on the date of implementation of restructuring process.

1.8 Additional loans to restructured borrowers under this framework may be sanctioned at the discretion of the respective credit functions of the Bank.

1.9 Extension of repayment period for a restructured account should not exceed 2 years from the original maturity date.

- If a customer has two loans and both loans have different maturity dates then the Bank may club both loans and extend period by 2 years as part of restructuring plan or the Bank may allow extension of 2 years individually to each loan as part of restructuring plan. In case the Bank clubs both loans and extends repayment period by 2 years then the count of 2 years shall start from the maturity date of that loan which has the nearer maturity date. Specifically, where there are two loans with different maturity dates, the date of loan which is scheduled to mature first, will be considered for the start date from when restructuring commences*.

  **RBI guidelines do not provide a definition for "nearest" maturity date. However, the policy reckons "nearest" to mean the date of the first maturity in the case of two or three loans, to enable the aggregate restructured loan to comply with the RBI guideline of a maximum extended tenor of 24 months. Clearly, if the latter dated maturity is reckoned with, the restructuring tenor will be in excess of the maximum of 24 months from the maturity of the loan with the original shorter dated maturity.*

1.10 The moratorium period if granted shall come into force immediately upon implementation of the resolution plan as per the agreed resolution plan.

1.11 The ability and willingness of the borrower to pay must be established before initiating restructuring process.

1.12 The Bank has to establish that borrower is having stress on account of Covid-19. The reason should be properly documented in the restructuring proposal. The borrower will be considered as affected by Covid-19 if any one of the following conditions is fulfilled:

- Salary / Income has reduced when compared to pre-Covid.
- Reduction / Suspension in salary during lockdown period
- Job loss / closure of business
- In case of self-employed / professionals / businessman, closure during lockdown or reduced activity of shop / unit / business / establishment etc.
- Any other condition that the Bank may deem fit. This should be properly documented.

Section -4
Asset Classification, Provisioning and Monitoring of borrowers restructured or resolved under this framework

1.0 Asset Classification and Provisioning:

1.1 Additional finance to borrowers in respect of whom the resolution plan has been invoked under Resolution Framework 2.0 for Covid-19 related Stress, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, may be classified as **'Standard Asset'** till implementation of the plan regardless of the actual performance of the borrower with respect to such facilities in the interim.

1.2 However, if the resolution plan for Covid 19 related stress 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 the additional finance or the rest of the credit facilities, whichever is worse.

1.3 If a resolution plan is implemented in adherence to the provisions of the Covid 19 Resolution framework 2.0, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the plan, however to ensure that provision as applicable to the NPA accounts to be maintained on these accounts.

1.4 In respect of individual or small businesses where a resolution plan is implemented under this framework, the Bank is required to 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 percent of the renegotiated debt exposure of the Bank post implementation (residual debt).

1.5 The additional provisions maintained by the Bank in terms of the Covid -19 Regulatory Package – Asset Classification and Provisioning (Cir. DOR.No.BP.BC.63/21.04.048/2019-20, dt.17th April,2020) in respect of such borrowers, to the extent not already reversed, may be utilised for meeting the provision requirements in all cases under this framework.

2.0 Reversal of Provision:

2.1 In case of Personal Loans resolved under this framework, half of the above provisions 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 half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.

2.2 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.

2.3 Additional provision under the Covid-19 framework 2.0 will be maintained at account level.

Some possible scenarios and treatment of provision is given below.

2.3.1 Customer has 2 loans. Both have been restructured under Covid-19 framework 2.0. One has satisfactory performance and other does not.

As both loans have been restructured under Covid-19 framework 2.0, both of these loans are to be treated as standard loan and increased provision rate will be applicable at account level.
Subsequently, if one of these loans has satisfactory performance or the borrower meets criteria w.r.t. reversal of provision, then the Bank may reverse additional provision (provided under Covid-19 framework 2.0).
The Bank has to maintain additional provision (provided under Covid-19 framework 2.0) for the account which is not performing satisfactorily.
Subsequently, if any of these loans becomes an NPA, then the Bank has to also classify the other loan as NPA because existing prudential guidelines shall be applicable after the borrower has been restructured under this framework and as per prudential guidelines, all facilities of a borrower become NPA if any of his facility becomes an NPA.

2.3.2 Customer has two accounts. One is eligible for restructuring but other loan does not and restructured account has satisfactory performance but other loan does not

If a borrower has two loans where one loan is eligible for restructuring under this framework and the other loan is not eligible then provision requirement will be different for these two loans. Provision requirement for the restructured loan may be as per resolution framework 2.0 whereas provision for non-restructured loan will be as per the Bank's NPA Management Policy. The borrower will be reported as Covid restructured to credit bureaus, where this facility exists. The existing prudential guidelines are applicable after the borrower has been restructured under this framework. Hence, if subsequently, one of the loans of this borrower becomes an NPA, then all loans (including the restructured loan under Covid-19 framework 2.0) will also become an NPA because as per prudential guidelines, all facilities of a borrower becomes NPA if any of his facility becomes an NPA.

If the restructured account has satisfactory performance or meets criteria w.r.t reversal of provision, then the Bank may reverse additional provision (provided under Covid-19 framework 2.0).

3.0 Post Implementation Performance:

3.1 After implementation of the resolution plan for individuals and small businesses in terms under this framework, the subsequent asset classification will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015. The detailed criteria have been mentioned in NPA Management Policy of the Bank. (para 4.2.1 page 9 of the NPA Management Policy refers)

3.2 Further upgrading shall be subject to implementation of a fresh restructuring under the Prudential Framework. To elaborate, this means that even after restructuring under the Covid framework 2.0, the borrowing account will remain a standard asset. However, if after the account has been restructured, the account deteriorates into an NPA and the Bank considers a further restructuring under the IRAC provisions, the account will not be classified as standard immediately. In such scenario, Prudential guidelines of IRAC will apply and the borrower will continue to be classified as an NPA and the account can only be reclassified as standard after satisfactory performance over a 12 month period.

3.3 Satisfactory performance during the specified period means adherence to the following conditions:

- **Non Agricultural cash Credit Accounts:**
  In the case of non-agricultural cash credit accounts, the account should not be out of order any time during the specified period, for a duration of more than 90 days. In addition, there should not be any overdue at the end of the specified period.

- **Non Agricultural cash Credit Accounts**
  In the case of non-agricultural term loan accounts, no payment should remain overdue for a period of more than 90 days. In addition there should not be any overdue at the end of the specified period.

- **All Agricultural Account**
  In the case of agricultural accounts, at the end of the specified period the account should be regular.

3.4 Specified Period means a period of 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 under the terms of restructuring package.

3.5 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.

3.6 **Provision for Diminution in Fair Value**: computation of NPV is not dispensed off for the COVID stress related restructuring done by the Bank in reference to RBI guidelines issued in this matter May 05, 2021. Resolution Framework 2.0 is based on the Resolution Framework 1.0 circular guidelines issued by RBI dated August 06, 2020, as RBI in their circular dated May 05, 2021 specified that the set of measures issued under

Resolution 2.0 Framework are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications. The Bank has referred to RBI on requirement of additional sacrifice provisioning on restructuring, but yet to receive any revert on this. Therefore, the Bank is not providing sacrifice provision on restructuring as yet but will be directed by clarifications provided by RBI in the matter.

4.0 Monitoring of Borrowers:

4.1 Credit monitoring is required for borrowers where resolution plan has been implemented under Resolution Framework 2.0 for individual and small businesses or who have been restructured under the MSME framework.

4.2 The Credit monitoring will be undertaken by the Risk Management Department of the Bank in association with the respective Credit departments for Microbanking, MSE, Housing, Personal Loan and Vehicle Loan.

4.3 The Credit departments for all verticals will submit the list of borrowers, resolved or restructured under Covid-19 framework 2.0 to the Risk Department.

4.4 The Risk Department will monitor these borrowers based on Days Past Due (DPDs), agreed financial parameters, etc at monthly intervals and apprise the Credit Risk Management Committee (CRMC) and to Risk Management Committee of the Board (RMCB) as and when convened.

Section – 5
Approaches propose to be adopted by the Bank for implementation of the Framework

1.0 Proposed Approach by Micro-Banking:

1.1 Product Categorization of Micro Banking loans

- The Resolution Framework is applicable to Group Loans, Individual Loans, Agri group loans and Kisan Suvidha loans;
- Loans disbursed for business purposes, shall be eligible for restructuring under Individual Borrowers - Business Loan category of this Resolution Framework:
  - Business loans: Core, Top up and Loyalty Business loans;
- Loans disbursed for consumption purposes shall qualify for restructuring under Individual Borrowers – Personal loan category of this Resolution Framework:
  - Family Loans: Core, Top up, Loyalty Family Loans and Distress Relief loans;
  - Education loans: Core and top up education loans;
  - Home Improvement loans;
- Group, Individual and Kisan Suvidha loans disbursed for agri allied activities viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture shall be eligible for restructuring under Individual Borrowers - Business Loan category of this Resolution Framework:
  - Agri-allied loans under Group loan and Agri group loan;
  - Agri-allied loans under Kisan Suvidha loans;
- All loans disbursed for Agriculture purposes other than agri allied activities as specified above shall not be eligible for restructuring under this Resolution Framework as per applicable regulatory guidelines. However, a representation to RBI in this regard has been made and borrowers engaged in direct Agriculture shall become eligible under resolution 2.0 subject to a favourable response from RBI in this regard.

1.2 Eligibility:

Subject to Clause 1.1 above:

- All standard borrowers as of 31st March 2021 shall be eligible under resolution of advances to individuals (personal loan and business loans), under this Resolution Framework;
- Any account which has slipped to NPA after 31st March 2021 shall be eligible for resolution under this Resolution Framework;
- All standard borrowers with accounts restructured under resolution framework 1.0 and / or under SLBC guidelines due to natural calamity, asset classification of which is standard as on 31st March 2021, shall be eligible for resolution under this Resolution Framework;
- All borrower’s accounts which were restructured (Moratorium and EMI reduction) under resolution framework 1.0 shall be eligible for moratorium or

EMI reduction under this Resolution Framework 2.0. The total elongation of these accounts should not be more than 24 months from the original maturity date (Maturity date after adjustment of Mar'20 – Aug'20 Moratorium period).

- Any borrower identified as "Negative customer" by branch, credit, internal audit, operations and vigilance shall not be eligible under this Resolution Framework;
- Loans disbursed for Agriculture purposes shall not be eligible for restructuring under this Resolution Framework. But loans granted for Agri –allied purposes shall be eligible under this Resolution Framework.
- Borrowers with loans disbursed post 31st March 2021 shall not be eligible for resolution under this Resolution Framework;
- Compromise Settlement accounts are not eligible for restructuring under this Resolution Framework;

1.3 Invocation to Implementation Date

- Date of customer consent for restructuring through digital form and mode or any other permissible mode shall be considered as the invocation date. Last date for invocation shall be 30th Sep 2021;
- Implementation of the resolution in the system shall be done within 90 days of the invocation date and no later than 28th December 2021;
- All cases assessed and confirmed by customers during field visits by branch staff shall be considered as invoked. Upon invocation, SMS confirming the same shall be sent to all customers.
- Customers can also walk-in to branches or call the call center of the Bank or approach field officers to request or submit application for restructuring support under this Resolution Framework. The decision of the request shall be communicated to customers through SMS or any other permissible mode within 30 days of receipt of the request or invocation;

1.4 Type of Restructuring:

a. Restructuring by Moratorium

- Borrowers shall be eligible for a maximum of 6 months moratorium i.e. their EMIs will be skipped by the number of months for which moratorium has been provided. To clarify, a repayment holiday will be offered to the customers. For the period of holiday, proportionate interest shall be charged for months under holiday. There shall be no waiver.
- Six months of moratorium shall include both the non-paid previous months and subsequent months after the implementation as the case may be;
- Accounts restructured under Resolution Framework 1.0 shall be provided with moratorium, subject to maximum of 24 months tenor elongation from the

original maturity (just before Resolution Framework 1.0) including both the resolutions (Resolution Framework 1.0 and 2.0)

b. Restructuring by Reduction of EMI

- The current EMI shall be reduced based on the customer's repayment ability and comfort. The maximum EMI reduction shall be 60% of their current EMI (i.e. Proposed EMI should not be below 40% of current EMI);
- The accounts can also be provided with moratorium for subsequent months of implementation along with reduction in EMI;
- Revision of repayment schedule shall be done based on proposed EMI amount;
- Loans can be elongated up to 2 years from the original maturity date of existing loans (additional 24 instalments from original maturity date). This will include moratorium given, if any
- Accounts restructured under Resolution Framework 1.0 shall also be provided with EMI reduction option, subject to maximum of 24 month's tenor elongation including both the resolutions (Resolution Framework 1.0 and 2.0)

c. Additional loans to borrowers:

- During Implementation and in between invocation to implementation
  - To be given basis assessment and customer requirement;
  - Should be a standard asset as of 31st March 2021;
  - To be tagged as Restructured loans;
- After restructuring
  - Borrowers shall be eligible for loans subject to fulfilment of the following parameters
    - Borrowers shall be eligible for a loan after 3 months of regular repayment on the restructured loan;
    - Minimum 30 percent of the restructured OSP should have been paid
    - The restructured account should not be in overdue during loan processing;
  - In addition to the above, existing lending policy and process guidelines for Repeat and top up loans shall be applicable.
  - These loans shall not be tagged as restructured loans.

1.5 Interest capitalization

- Interest capitalization in case of restructuring through moratorium:
  - Outstanding Principal (OSP) as of last payment date shall be considered for interest calculation. Interest for the number of days between last payment date and implementation date shall be capitalized along with this OSP. The new Outstanding Balance (OSB) would become as (OSP + Capitalized Interest), however, the capitalized interest shall be collected

as principal in the initial EMIs. There will not be any re-computation of interest and the EMI will get shifted by the number of moratorium months availed. Tenor will be elongated accordingly;

- Interest capitalization in case of restructuring though reduction in EMI
    - Outstanding Principal (OSP) as of last payment date shall be considered for interest calculation. Interest for number of days between last payment date and implementation date shall be capitalized along with this OSP. The new Outstanding Balance (OSB) would become as (OSP + Capitalized Interest), however, the capitalized interest shall be collected as principal in the initial EMIs. The new schedule will be re-drawn basis the new EMI with interest being calculated on the OSP;
- Any partial EMI payment in the account shall be adjusted to the loan before providing repayment holiday or restructuring the account as per the appropriation logic;
- Since the amount pertaining to future months cannot be accrued/capitalised in the books during the current period and there are system challenges, interest on interest shall be charged on the capitalized portion for MB customers in Resolution Framework 2.0.
- Any charges due to be paid by the customers shall be waived-off during the restructuring of the account;

1.6 Documents:

- **Rescheduling Form**
- The process of assessing the customer and obtaining consent for restructuring shall be done through digital forms / mode or any other permissible forms / modes for group loans, agri group loans and individual loans
- Restructuring details shall be captured in digital form through hand held device
- Customer consent for restructuring shall be obtained through any of the following methods:
    - Through Restructuring Code (OTP): A code / OTP shall be sent to customer's mobile phone number registered for loan account of the Bank, along with requisite SMS suggesting the customer to share the same with the Bank representative, if in case the customer wishes to proceed with restructuring as per this Resolution Framework. Customers shall share the code or OTP with Bank representative, if they consent for restructuring as per this Resolution Framework.
    - Through Biometric / IRIS: Aadhaar based biometric / IRIS authentication shall be obtained from the customer as consent for restructuring, if they consent for restructuring as per this Resolution Framework.
    - Other legally recognized modes shall be considered for obtaining the consent from customers for restructuring

- Restructuring of Kisan Suvidha Loan shall be processed through physical forms as these accounts are managed in Finacle. Implementation of restructuring of Kisan Suvidha loans shall happen similar to other loans in Finacle.

1.7 Assessment:

A customer level assessment shall be undertaken to understand the current position of the borrower and family members while providing relief under this Resolution Framework

- Impact of Covid on borrower or family member occupation or livelihood shall be assessed and the following details shall be captured
  - Business down turn / loss
  - Loss of job / pay cut
  - Change in Livelihood
  - Serious medical situation
  - Death of earning member
- Income reduction of the family due to Covid 2nd wave shall be assessed
  - Slight reduction in income (up to 25%), moderate reduction in income (25-50%) and major reduction in income (> 50%)
- Time frame of the customer and family to return to normalcy shall be assessed
  - Short term (1-3 months), medium (4-6 months) or long term impact (> 6 months)
- Customers not repaying their instalments intentionally shall not be eligible for restructuring and shall be verified during assessment;
- Based on the assessment, borrowers shall be provided with Moratorium or Reduction in EMI as options of Restructuring;
- The maximum cap for % reduction in EMI would be 60% of the Current EMIs being paid. (i.e. Proposed EMI should not be below 40% of current EMI);
- Maximum number of moratorium shall be 6 months;
- The maximum tenor of the rescheduled loan would be "Original maturity date+24 months";

The assessment shall be done by customer relationship officer or loan officer either by visiting the customer or through interaction over call. The details of the assessment shall be captured in the handheld device and customer consent is obtained digitally.

Customer relationship manager or Asst. CRM or Branch Manager – URC or Credit officer – Micro banking shall conduct TVR or visit customer and recommend for approval.

1.8 Components of Restructuring:

- No documentation charges and Insurance premium shall be levied for customers;

- If there are multiple loans availed by a borrower, all loan accounts shall be reviewed and either all loans shall be restructured into one loan or into separate loans depending on customers need and system feasibility;
- Requests for customers with multiple accounts (within Br.Net system) shall be taken at once and shall be implemented together;
- If a borrower has one standard account and another NPA (as of 31st March'2021), asset classification of such borrowers is NPA and these are not eligible for restructuring;
- In case of multiples loans, the count of 2 years shall start from the maturity date of that loan which has the nearer maturity date if both the loans are restructured into one loan. In case where loans are restructured as separate loans, the count of 2 years shall start from the maturity date of respective loans;
- If a borrower has two loans and one loan is eligible and another is not eligible under this Resolution Framework, then only the eligible loan shall be restructured, subject to fulfilment of borrower level eligibility.
- For restructuring, customer has to agree on a standard monthly instalment which will be repaid as per the agreement executed by the borrower in favour of the Bank;
- Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework;

1.9 Asset Classification and Provisioning

- As stated in para 3.0 of Section 1 - Restructuring of MSME Entities on Account of Covid -19 and Section 4 of this policy.

- Customers who are unable to repay as per the revised restructured schedule shall be downgraded and classified as per applicable IRAC and provisioning norms. NPA standstill order shall be considered till it is in place.

1.10 Reporting to CICs

As per regulatory guidelines, loans restructured under this resolution program shall be reported to the credit bureaus as "Covid Restructured" at the account level where available.

2.0 Proposed Approach by other business verticals:

2.1 Approach Proposed by MSE vertical

2.1.1 Product Categorisation:

- The Bank may support the viable MSE borrowers to recover from the stress on account of Covid 19 either through the restructuring as stated in Section 1 of this policy (which is in line with the RBI circular on MSME restructuring, dated 05th May, 2021) or through the resolution framework 2.0 for Covid 19 in form of working capital support as stated in Section -2- PART B of this policy, subject to qualifying the eligibility criteria and conditions.

- For this restructuring under Resolution Framework 2.0 (for both MSME; and Individual and Small Businesses), standard loans with DPD < 90 days as on 31st Mar-2021 shall be considered.
- Some of the MSME borrowers have GST and other enterprise registration, the Bank will ask them to register on Udyam portal, as Udyam registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.

- A borrower which does not qualify as an MSME, may be restructured under Other Exposure framework as defined in Section -2- PART B of this policy.

- Loans against Property which are availed for business purposes and secured by immovable assets will be restructured under Other Exposure framework as defined in Section -2 - PART B of this policy.

2.1.2 Eligibility Criteria:

MSME borrower is restructured as per guidelines of	**Applicable Eligibility criteria as mentioned in**
MSME Restructuring on account of Covid 19 (stated in Section 1 of this policy)	**Para 2.0 of Section 1** (Specified Condition); and **Para 1.0 of Section 3** (General Eligibility Criteria)
Resolution Framework for Covid 19 for Other Exposure (stated in Section -2- PART B of this policy)	**Para 1.0 of Section-2 – PART - B**; and **Para 1.0 of Section 3** (General Eligibility Criteria)

In addition to criteria mentioned above, the following eligibility criteria are also applicable:

- Borrowers are having stress on account of Covid-19 in their income stream to the satisfaction of the Bank;
- Vintage business with established business stability and good market reputation;
- Business in Industry/ segment which is robust and likely to rebound quickly;
- Business is currently operational, but where volumes may have dropped up to 40 – 70%;
- Good credit history and past track-record including loan repayment with the Bank;
- Sufficient collateral coverage;
- Existing business of the applicant may be closed but applicant has started a new venture with promising start and capacity to pay the reduced EMI has been established.

2.1.3 Possible Restructuring Mechanism:

The possible restructuring mechanism for restructuring of MSE borrowers is given below. The Bank may undertake any or a combination of the following measures depending on the severity of cases:

- EMI reduction and Tenor increase, not longer than 24 months;
  (Especially in cases where business is currently operational but with reduced volumes)
- ROI reduction; (especially in PSL qualified cases where remaining tenor is lower)
- Principal repayment holiday upto 12 months; post that Step-up EMI if required
- Existing EMI reduction for period upto 12 months; post that step up EMI, if required
- EMI repayment holiday upto 9 months; post that Step-up EMI, if required
- EMI repayment holiday up to 6 months, followed by reduced EMI upto 12 months, post that step up EMI, if required
- Enhanced Working capital limits in form of Overdraft line to businesses whose working capital cycle has been impacted. These OD limits would be subject to review every 6 months, and in case the working capital cycle has been restored, would be revoked accordingly.
- Conversion to Dropline Overdraft structure with Interest servicing and Principal payment in quarterly or half-yearly schedule;
- Restructuring with part payment;
- Increase in tenure to five years for ECLGS loan i.e. repayment of interest only for the first 24 months with repayment of principal and interest in 36 months thereafter; for the Borrowers who are eligible for restructuring as per RBI guidelines of May 05, 2021 and had availed loans under ECLGS 1.0. Earlier the tenure was for four years comprising of repayment of interest only during the first 12 months with repayment of principal and interest in 36 months .

2.1.4 Assessment:

The assessment should be undertaken as if it is a fresh loan sanction. Therefore, the acceptable financial viability benchmarks shall be as per the existing credit policy of the MSE vertical.

2.1.5 Asset Classification:

As stated in para 3.0 of Section 1 - Restructuring of MSME Entities on Account of Covid -19 and Section 4 of this policy.

2.1.6 Key Financial parameters:

- **For Edge product-**
  In addition to key financial parameters as stated in Para 2 of Section – 3 (General Eligibility Criteria) of this policy, the Bank may compute TOL/ATNW, Total Debt / EBIDTA, Current Ratio, DSCR and ADSCR and Interest Coverage Ratio for Trade – Wholesale (instead of DSCR and ADSCR) because the Bank assesses these borrowers on the basis of Balance Sheet and P/L statement. The methodology for computation of these ratios is given in **Annexure – A.**

- The Bank may compute FOIR, and LTV ratios for borrowers having exposure of Rs.10 Lacs and above on the date of invocation of Resolution Framework.

2.1.7 Income Recognition:

Income shall be recognized as per the existing IRAC norms. Interest during moratorium period will continue to accrue. If the Bank allows any moratorium period as part of restructuring plan, the interest will accrue during this period on the Outstanding

Balance as on moratorium start date. The interest calculation methodology (Actual/ actual, actual/365, 1/12. etc) should be same as existing in the systems and applicable for different products which are being restructured.

2.1.8 Reporting to Credit Bureaus:

Any restructured borrower will be reported to CIBIL Credit Bureau as “Covid Restructured”.

2.2 Approach proposed by the Housing Vertical:

2.2.1 Product Categorisation:

Housing loan borrowers (including LAP customers and Affordable Housing borrowers) are eligible to be restructured as per the resolution guidelines prescribed for Personal Loans. The relevant guidelines are stated in Section-2 – PART A of this policy. Also the customers can be offered an additional top-up loan to meet their working capital requirement

2.2.2 Eligibility Criteria:

Any borrower which meets the criteria mentioned in para 4.0 of Section- 2 - PART – A and Para 1.0 of Section 3 (General Eligibility Criteria) of this policy.

2.2.3 Asset Classification:

As stated in Section 4 of this policy.

2.2.4 Assessment:

The assessment should be undertaken as if it is a fresh loan sanction. Therefore, the acceptable financial viability benchmarks shall be as per the SOP/guidelines issued by the Bank in this regard.

2.2.5 Income Recognition:

Income shall be recognized as per the existing IRAC norms. Interest during moratorium period will continue to accrue. If the Bank allows any moratorium period as part of restructuring plan, the Interest will accrue during this period on the Outstanding Balance as on moratorium start date. The interest calculation methodology (Actual/ actual, actual/365, 1/12. etc) should be same as existing in the systems and applicable for different products which are being restructured.

2.2.6 Reporting to Credit Bureaus:

Any restructured borrower under these framework will be reported to CIBIL Credit Bureau as “Covid Restructured”.

2.2.7 Key Financial Parameters:

The acceptable financial viability benchmarks shall be as per the SOP/guidelines issued by the Bank in this regard.

2.2.8 Proposed Restructuring Mechanism:

- EMI reduction and tenor increase; not longer than 24 months;
- ROI reduction (especially in PSL qualified cases where remaining tenor is lower);

- Principal repayment holiday upto 12 months; post that Step-up EMI if required
- Existing EMI reduction, for period upto 12 months; post that Step-up EMI if required
- EMI repayment holiday upto 9 months; post that Step-up EMI if required
- EMI repayment holiday upto 6 months, followed by Reduced EMI upto 12 months; post that Step-up EMI if required
- Restructuring with Part Payment

2.3 Approach proposed by the Personal Loan and Vehicle Loan:

2.3.1 Product Categorisation:

Personal Loan and Vehicle loan borrowers are eligible to be restructured as per the resolution guidelines prescribed for Personal Loans. The relevant guidelines are stated in Section-2 – PART A of this policy.

2.3.2 Eligibility Criteria:

Any borrower which meets the criteria mentioned in para 4.0 of Section- 2 - PART – A and Para 1.0 of Section 3 (General Eligibility Criteria) of this policy. Additionally following criteria will also be considered for Vehicle loan customers:

- Customers will be identified on the basis of products, areas impacted, customer and family level stress.
- EMI / DI will be checked as per respective Product Policy.
- Vehicle PDD should not be pending.

2.3.3 Asset Classification:

As stated in Section 4 of this policy.

2.3.4 Assessment:

The assessment should be undertaken as if it is a fresh loan sanction. Therefore, the acceptable financial viability benchmarks shall be as per the existing credit policy of the Personal Loan and Vehicle Loan verticals.

2.3.5 Income Recognition:

Income shall be recognized as per the existing IRAC norms. Interest during moratorium period will continue to accrue. If the Bank allows any moratorium period as part of restructuring plan, the Interest will accrue during this period on the Outstanding Balance as on moratorium start date. The interest calculation methodology (Actual/ actual, actual/365, 1/12. etc) should be same as existing in the systems and applicable for different products which are being restructured.

2.3.6 Reporting to Credit Bureaus:

Any restructured borrower under these framework will be reported to Credit Bureaus as "Covid Restructured", as applicable.

2.3.7 Key Financial Parameters:

The acceptable financial viability benchmarks shall be as per the existing credit policy for the Personal Loan and Vehicle Loan customers.

2.3.8 Proposed Restructuring Mechanism:

- EMI reduction and tenor increase; no longer than 24 months;

- ROI reduction (especially in PSL qualified cases where remaining tenor is lower);
- Principal repayment holiday upto 12 months; post that Step-up EMI if required
- Existing EMI reduction, for period upto 12 months; post that Step-up EMI if required
- EMI repayment holiday upto 9 months; post that Step-up EMI if required
- EMI repayment holiday upto 6 months, followed by Reduced EMI upto 12 months; post that Step-up EMI if required
- Restructuring with Part Payment

2.4 Approach proposed for FI Borrowers:

As the Bank does not have any corporate borrower which is not a financial service provider as on 1st March, 2020, this policy does not cover the FIG portfolio of the Bank.

Section -6
Workflow and Delegation of Power

1.0 Workflow and Delegation of Power – For Microbanking Loans:
The Workflow and Delegation of Power with respect to restructuring or resolution of borrowers for Microbanking Loans under the framework of this policy is given below.

Activity	Responsibility	Remarks
Identification and assessment of customers in need to restructuring	Customer Relationship Officer (CRO), Loan Officer (LO) or any field staff	Identification and assessment of customers for restructuring based on the eligibility, current cash flow, willingness to pay and need for restructuring either through call or visit
Inform customer and obtain consent for restructuring from customer	Customer, CRO, LO and or any field staff	Staff to explain the customer about restructuring and Customer to provide consent to restructuring by sharing the Restructuring Code with CRO/LO or through bio metric authorization
Restructuring Assessment and Recommendation	Assistant CRM or CRM or BM-URC or Credit Officer	Review customer eligibility, need, past track record and recommend for final approval based on TVR or customer visit
Final Approval of restructuring	System approval or Officer – Credit GL Backend / Officer - Credit IL Backend and above	System Approval: System shall directly auto approve if accounts meet all eligibility criteria and defined rules (subject to system availability) Approval by Credit Officer: Review the accounts at the credit stage and take necessary decision as per the eligibility parameters
Execution of Restructuring	Regional Operations team	Regional operations team to restructure the accounts as approved by credit based on the details provided.
Communication to customers through SMS and through loan card	System / Product team or branch team	Once the restructuring is done, SMS shall be sent to customers (or through any other legally recognised mechanism) about the changes with new EMI and / or months of moratorium. Customers shall be given revised loan card after restructuring and acknowledgement from customers shall be taken.

2.0 Workflow and Delegation of Power- Other than Microbanking Loans:
The Workflow and Delegation of Power with respect to restructuring or resolution of borrowers for MSE, Housing, Vehicle Loan and Personal Loan under the framework of this policy is given below.

2.1 Work Flow:

Activity	Responsibility	Remarks
Discussion with Credit Administration	Central Collections team	The collection officer/ Collection agent must inform the credit via phone/electronic mail.
Restructuring Assessment-Initiation	CCM/ACM/RCM	Thorough assessment similar to the loan sanction process
Recommendation from Sales and Business Team (AM/RBM/SM/RSM)	Credit Administration	Restructuring proposal Note Statement of account (SOA) Request letter from the borrower
Obtain Sacrificing Provision	Credit Administration	The Risk department provides sacrificing provision to the credit Administration
Approval	As per DOA	
Preparation and Acceptance of the Reschedule agreement	CCM/ACM/RCM	The Credit administration team shall intimate the regional credit Manager to prepare the reschedule agreement as per approved terms and conditions
Execution of Restructuring	Asset Operation-RPU	SOP for the restructuring process being prepared. All these aspects will be included in the SOP.
Loan Card generation	Asset Operation-RPU	SOP for the restructuring process being prepared. All these aspects will be included in the SOP.
Despatch of the document	Asset Operation-RPU	SOP for the restructuring process being prepared. All these aspects will be included in the SOP.

2.2 Delegation of Power for Restructuring:

a. Once the viability of the borrower for restructuring is established for MSE, Housing, PL and VL borrowers, advances will be restructured as per delegation given below:

	Original Sanctioning Authority	Restructuring is to be undertaken by
1.	Any proposal under ACM DOA	ACM
2.	Any proposal under RCM DOA	RCM
3.	Any proposal under NCM DOA	NCM
4.	Any proposal under CAC DOA	CAC

b. Out of policy deviation has to be approved by CRO or NM Credit Risk or any officer as delegated by CRO or MD jointly.

Section -7
Disclosure, Remedy for Unqualified Borrowers and Conclusion

1.0 Disclosure:

1.1 The Bank shall make the disclosures as per the format given below in its financial statements for the quarters ending **September 30, 2021 and December 31, 2021..**

Sl.No	Description	Individual Borrowers		Small Businesses
		Personal Loan	Business Loan	
A	Number of requests received for invoking resolution process under Part A			
B	Number of accounts where resolution plan has been implemented under this window			
C	Exposure to accounts mentioned at (B) before implementation of the plan			
D	Of (C), aggregate amount of debt that was converted into other securities			
E	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
F	Increase in provisions on account of the implementation of the resolution plan			

1.2 The credit reporting by the Bank in respect of borrowers where the resolution plan is implemented under this facility shall reflect the "Covid restructured" status of the account if the resolution plan involves renegotiations that would be classified as restructuring under the Prudential Framework. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

1.3 As per the regulatory guidelines, any loan or credit facility restructured under this framework will be reported to Credit Bureau as "Covid Restructured".

1.4 The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.

1.5 The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 4.5 of Section -2 – Part A above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

2.0 Remedy for Unqualified Borrowers:

The Bank has existing Restructuring Policy. Accounts which do not fulfil the required eligibility conditions to be considered for resolution under this framework for Covid 19 may continue to be considered for restructuring under the existing Restructuring policy of the Bank.

3.0 Conclusion:

This policy is submitted to the Board for their approval to restructure loans to borrowers under Covid-19 resolution framework 2.0. This policy will be annexed as an addendum to the existing Restructuring Policy of the Bank.

Annexure – A

- **Key Financial Parameters for MSE Edge Borrowers eligible for Restructuring under the guidelines of Resolution Framework 2.0** In addition to acceptable financial viability benchmark applicable for MSE Edge product the Bank may consider following key parameters for restructuring a MSE borrower under the guidelines of Resolution Framework for Other Eligible Borrowers as stated in Section-2- PART B of this policy.

	Key Ratio	**Definition**
1	Total Outside Liabilities / Adjusted Tangible Net Worth (TOL/ATNW)	Addition of long-term debt, short term debt, current liabilities and provisions along with deferred tax liability divided by tangible net worth net of the investments and loans in the group and outside entities.
2	Total Debt / EBITDA	Addition of short term and long-term debt divided by addition of profit before tax, interest and finance charges along with depreciation and amortisation.
3	Current Ratio	Current assets divided by current liabilities
4	Debt Service Coverage Ratio (DSCR)	For the relevant year addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.
5	Average Debt Service Coverage Ratio (ADSCR)	Over the period of the loan addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.

- The Current Ratio and DSCR in all cases shall be 1.0 and above, and ADSCR shall be 1.2 and above.

- For Trade –Wholesale CR shall be 1 and above and Interest Coverage should be 1.70 and above

- Banks are required to abide by the Sector Specific Threshold for Key Financial Parameters (As given below). The prescribed threshold ratios will act as floors or ceiling, as the case may be. Considering the customer segment the Bank caters to, sector specification as prescribed by the RBI is not possible for the time being.

Sector Specific Financial Ratios

Sectors	TOL / ATNW	Total Debt/ EBITDA	Current Ratio	Average DSCR	DSCR
Auto Components	<= 4.50	<= 4.50	>= 1.00	>= 1.20	>= 1.00
Auto Dealership	<=4.00	<=5.00	>=1.00	>=1.20	>=1.00
Automobile Manufacturing*	<= 4.00	<= 4.00	NA	>= 1.20	>= 1.00
Aviation**	<= 6.00	<= 5.50	>= 0.40	NA	NA
Building Materials - Tiles	<=4.00	<=4.00	>=1.00	>=1.20	>=1.00
Cement	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Chemicals	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Construction	<=4.00	<=4.75	>=1.00	>=1.20	>=1.00
Consumer Durables / FMCG	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Corporate Retails Outlets	<=4.50	<=5.00	>=1.00	>=1.20	>=1.00
Gems & Jewellery	<=3.50	<=5.00	>=1.00	>=1.20	>=1.00
Hotel, Restaurants, Tourism	<=4.00	<=5.00	>= 1.00	>=1.20	>=1.00
Iron & Steel Manufacturing	<=3.00	<=5.30	>=1.00	>=1.20	>=1.00
Logistics	<=3.00	<=5.00	>=1.00	>=1.20	>=1.00
Mining	<=3.00	<=4.50	>=1.00	>=1.20	>=1.00
Non Ferrous Metals	<=3.00	<=4.50	>=1.00	>=1.20	>=1.00
Pharmaceuticals Manufacturing	<=3.50	<=4.00	>=1.00	>=1.20	>=1.00
Plastic Products Manufacturing	<=3.00	<=4.00	>=1.00	>=1.20	>=1.00
Port & Port Services	<=3.00	<=5.00	>=1.00	>=1.20	>=1.00
Power Generation	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
Power Transmission	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
Power Distribution	<=3.00	<=6.00	>=1.00	>=1.20	>=1.00
Residential Real Estate	<=7.00	<=9.00	>=1.00	>=1.20	>=1.00
Commercial Real Estate	<=10.00	<=12.00	>=1.00	>=1.20	>=1.00
Roads ##	NA	NA	NA	>=1.10	>=1.00
Shipping	<=3.00	<=5.50	>=1.00	>=1.20	>=1.00
Sugar	<=3.75	<=4.50	>=1.00	>=1.20	>=1.00
Textiles	<=3.50	<=5.50	>=1.00	>=1.20	>=1.00
Trading – Wholesale $$	<=4.00	<=6.00	>=1.00	Instead Interest Coverage Ratio > = 1.70	

1.0 Some of the key ratios have been marked as **"Not Applicable"** in the case of certain sectors in line with the recommendations of the Expert Committee which has concluded that those ratios may not be relevant for the respective sectors to which they have been made as **"Not Applicable"**.

2.0 **<u>Automobile Manufacturing (*) :</u>**

No threshold has been prescribed for Current Ratio due to the "just in time inventory" business model for raw materials and parts, and finished goods inventory is funded by channel financing available from the dealers. This is not applicable to our Bank.

3.0 **<u>Aviation (**) :</u>**

DSCR thresholds have not been prescribed since most of the airline companies work on refinancing of debt as a financing strategy. Consequently, average DSCR threshold is also not prescribed. This is not applicable to our Bank.

4.0 **<u>Road and Highway (##) :</u>**

In the roads sector, the financing is cash flow based and at SPV level where the level of debt is decided at the time of initial project appraisal. The working capital cycle in this sector is also negative. Accordingly, ratios like TOL / ATNW, Debt/EBITDA and Current ratio may not be relevant at the time of restructuring in this sector. This is not applicable to our Bank.

5.0 **<u>Trading - Wholesale ($$):</u>**

Most of the companies in the sector do not use long term debt for funding their operations and are unlisted. Hence DSCR and average DSCR may not be applicable.