

Resolution Framework – 2.0

Resolution of Covid-19 related stress of Individuals and Small Businesses

Resolution of Covid-19 related stress of Micro, Medium and Small Enterprises

Policy / Operating Guidelines:

Particular	Details
Policy Type	<p>Resolution Framework 2.0 (ResFra 2.0) - Resolution of Covid-19 related stress of Individuals, Small Businesses and MSMEs</p> <p>RBI notification no. 31 - Resolution of Covid-19 related stress of Individuals and Small Businesses. RBI notification no. 32 - Resolution of Covid-19 related stress of MSMEs</p> <p><i>This policy document for resolution of framework with detailing on process, eligibility parameters, approval authority, provisioning and asset classification etc. has been approved by Board of Directors as per RBI notification no. 31 and 32 dated 5 May 2021</i></p>
Purpose	<p>To support existing ACPL customers under RBI resolution framework.</p> <p>As per notification, lending institutions are 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 in eligibility section.</p>
Eligible Borrowers as per ResFra 2.0	<p>Individuals and Small Businesses:</p> <p><i>(A) <u>First time restructuring:</u></i></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>*Personal loans would include -</p> <ul style="list-style-type: none"> i) Consumer credit (Credit Cards, Consumer Durable loan, Auto loans (other than commercial), PL against gold, immovable property, FD, Shares, Bonds etc., PL to professionals. ii) Education Loan iii) Loans for creation/ enhancement of immovable assets (e.g., housing, etc.) iv) Loans for investment in financial assets (shares, debentures, etc.) <p><i>B) <u>Convergence restructuring:</u></i></p> <p>This covers those borrowers who have availed restructuring under ResFra 1.0. Such borrowers will be eligible if the original restructuring either did not grant a moratorium, or the moratorium granted was less than 2 years, or the elongation of the residual term, was less than 2 years.</p> <p><i>C) <u>Restructuring by review of working capital facilities:</u></i></p> <p>In respect of individuals who have availed advances for business, or small businesses (other than</p>

	<p>MSMEs), lending institutions are also being permitted as a one-time measure, to review the working capital sanctioned limits, based on a reassessment of the working capital cycle, margins, etc.</p> <p>MSMEs :</p> <p>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.</p> <p>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.</p> <p>The borrower 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.</p>
<p>Eligible conditions as per ResFra 2.0</p>	<p>Individual and Small Businesses:</p> <ol style="list-style-type: none"> 1. Aggregate exposure of lending institutions is not more than Rs 25 crores as on 31st March, 2021 (not applicable on personal loan exposure) 2. The borrower should not have availed of restructuring as per ResFra 1.0 3. The credit exposure to the borrower should be standard as on 31st March, 2021. 4. Borrowers must not be a part of ineligible businesses as per below list: <ol style="list-style-type: none"> i) Farm Credit ii) MSME borrowers (to be treated separately as mentioned below) iii) Loans to Primary Agricultural Credit Societies (PACS), Farmers’ Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture. iv) Exposures of lending institutions to financial service providers. v) Exposures of lending institutions to Central and State Governments; Local Government bodies <p>MSMEs:</p> <ol style="list-style-type: none"> 1. Not availed of restructuring under any of the earlier restructuring frameworks 2. The borrower should be standard as on March 31, 2021. In case of term loans or similar facilities, this would mean the account must not be more than 89 DPD. In case of working capital facilities, this would mean any of the credit facilities has not become a non-performing asset. 3. The “aggregate exposure” of the borrower should be upto Rs 25 crore, including non-fund based facilities, from all lending institutions to the borrower as on March 31, 2021. 4. The borrower 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.
<p>Eligible Borrowers in ACPL</p>	<p>Existing ACPL customers who have availed loan facility under:</p> <p>Individual and Small Businesses:</p> <ul style="list-style-type: none"> Secured Loans Unsecured Loans Supply Chain (Working Capital Loan) Commercial Vehicle Loans Tractor Loan (commercial usage)

	<p>MSME Customers</p> <p>Businesses having GST registration or Udyam Registration: Manufacturing units Services - job work / ancillary units etc. which has investment in plant and machinery</p>
Approach	<ol style="list-style-type: none"> 1. Request for restructuring will be processed based on written application from Customer 2. Branch Credit Manager (BCM) will cross check customer eligibility (for restructuring) as per defined parameters and underwriting policy 3. Documentation to be checked by branch team and BCM 4. Credit assessment of customer to check impact of Covid 19/lockdown on business and scope of recovery.
Eligibility parameters	<ol style="list-style-type: none"> 1. Account status as "standard" as on 31 Mar 21 2. Customer must not have availed restructuring earlier under ResFra 1.0 3. Not part of ineligible businesses as per guidelines in ReFram 2.0 4. Udyam Registration as on date of application or before disbursement to MSME units/customers else it can be considered under individual / small business category. 5. Aggregate exposure of lending institutions is not more than Rs 25 crores as on 31st March, 2021
Assessment	<p>ACPL will re-assess and establish certainty of repayment from borrower post restructure after relevant due diligence with prime focus on below 2 factors:-</p> <ol style="list-style-type: none"> a. Intent b. Affordability
Scope of Restructuring	<p>Can be either one or among other things listed below which is based on assessment of income streams of borrower:</p> <ol style="list-style-type: none"> a. Rescheduling of payments b. Conversion of any interest accrued or to be accrued into another credit facility c. Revision in working capital sanctions d. Granting of moratorium e. Extension of residual tenure with or without payment moratorium upto 24 months <p>Other conditions:</p> <ol style="list-style-type: none"> 1. Restructuring will not include any "compromise settlement". Compromise settlement could be agreeing to a substantial sacrifice by ACPL, mostly resulting into waiver of outstanding principal. 2. Restructuring will not result into moratorium beyond 2 years or extension of the residual tenure of the loan by more than 2 years
Maximum tenure increase	Upto 24 month (including moratorium - if granted)
Applicable ROI	as per existing loan
Last date on invocation of resolution	<p>September 30, 2021</p> <p>Decision on the application of restructuring shall be communicated in writing to the applicant by ACPL within 30 days of receipt of such applications.</p>

Documentation (pre-sanction)	<ol style="list-style-type: none"> 1. Latest 12 month banking. Three month banking pre-lockdown to be documented in file (Jan-Mar 21) in restructuring requests. 2. KYC if change in address or constitution 3. Cash flow assessment (document) duly signed by Credit manager who have assessed business turnover and Income at the time of personal visit at borrowers business place. 4. GST registration certificate. This is not applicable if business is exempted for GST registration... This need to be checked by Credit Manager during credit assessment. 5. Application from customer for Loan restructuring 6. Udyam registration certificate before disbursal for MSME units (if applicable).
Documentation (post-sanction)	<ol style="list-style-type: none"> 1. Revised sanction letter and acceptance of customer with revised terms and conditions. 2. Revised repayment schedule 3. Addendum to loan agreement 4. Revised NACH form 5. Written communication to customer on email or post / courier to confirm acceptance of resolution request
Underwriting process	<p>Prevailing underwriting process will be followed in all restructuring requests as below:</p> <ol style="list-style-type: none"> 1. Credit Manager will visit customer's business place, residence and collateral. 2. Assessment of business income / turnover / stock levels / existing obligations need to be checked during discussion with customer. 3. Affordable EMI (post restructuring) need to be discussed and verified during visit. 4. Latest photographs of Shop and Collateral to be taken for approval 5. CAM and CFA to be prepared as per existing process 6. PD report need to be filled and included in file. 7. Latest Bureau report to be fetched to check overall outstanding of all financial institutions and repayment details.
Approval matrix	<p>All restructuring proposals to be approved by RH on email basis recommendation from NCM. This includes any approval on deviation related to documentation as mentioned above (pre-sanction).</p>
Flagging of ResFra cases	<p>Restructured accounts under ResFra 2.0 to be flagged as "Restructured for Covid" in LMS</p>
Asset Classification of restructured account	<p>Individuals and Small Businesses:</p> <p>The Eligible Borrower accounts restructured under ResFra 2.0, the standard classification of the assets can be retained. However, whereby the Eligible Borrower account has slipped into NPA classification between the date of invocation and implementation of resolution plan, such account can be upgraded to standard classification as on date of implementation of resolution plan.</p> <p>MSME units:</p> <p>MSMEs coming under Notification 32, wherein the borrowers who have slipped into NPA category between the period from April 1, 2021 to the date of implementation of plan shall be upgraded to standard asset.</p>

Provisioning	<p>Provisioning at the rate of 10% of the residual debt</p> <p>Reversal / write-back of provisions: 50% of the provision may be written back upon the borrower paying at least 20% of the Residual Debt without slipping into NPA and remaining half can be reversed upon payment of additional 10% of Residual Debt without slipping into NPA subsequently.</p> <p>However, in all cases (other than personal loans) the provisions shall not be written back before one year from date of commencement of first payment of interest or principal (whichever is later) on credit facility with the longest period of moratorium.</p>
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