

Thane Bharat Sahakari Bank Ltd

Scheduled Bank

Policy on Providing Relief to Borrowers Impacted By COVID-19 Pandemic - Resolution Framework – 2.0

Reserve Bank, vide circular dated 5th May 2021, has issued the framework for resolution of stressed assets on the resurgence of Covid-19 pandemic in India. The policy is in line with RBI guidelines.

The fundamental principles underlying the regulatory approach for resolution of stressed assets are as under:

- The measures are broadly in line with the Resolution Framework - 1.0.
- Resolution under this facility is provided only to the borrowers having stress on account of Covid-19
- Credit facilities to the borrower were classified as standard as on March 31, 2021.

Resolution Framework 2.0 for Individuals and Small Businesses

1) Eligible Borrowers:

- Individuals who have availed of loans and advances for business purposes from the lending institutions having aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- Individuals who have availed of personal loans(which includes following facilities) :
 - a) Personal Loan, b) Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), c) Education Loan d) Vehicle Loan (Non Commercial Purpose) e) Loan against Share etc. Gold loan
 - f) Staff loans not be eligible
- Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises having aggregate exposure with lending institutions not more than Rs.25 crore as on March 31, 2021.
- The borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 (Subject to special exemption - to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps of maximum period of 2 years)
- The credit facilities to the borrower was classified as Standard as on March 31, 2021

2) Permitted features of resolution plans:

- Rescheduling of payments
- Conversion of any interest accrued or to be accrued into another credit facility
- Revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower
- The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.

- The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium.
- The overall cap on extension of residual tenor, inclusive of moratorium period if any maximum up to two years.
- The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable
- Specified “Financial Parameters” Resolution Framework - 1.0. shall not be applicable to resolution plans implemented under this window

3) Asset classification and Provisioning (Framework 2.0):

3.1) Asset classification

- Accounts classified as “Standard” may be retained upon implementation of resolution plan.
- 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 resolution plan.
- The subsequent asset classification of such account will be governed by Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015.

3.2) Provisioning:

The provisions held as per the extant IRAC norms immediately before implementation **OR** 10 % of the residual debt / exposure post implementation whichever is higher will have to be maintained.

3.3) Reversal of provision:

- 50% 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 50% 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.
- The provisions held under this window shall be available for the provisioning requirements if exposure classified as NPA subsequently.

4) Borrower accounts resolved previously Under Framework – 1.0

(Borrower accounts who have availed resolution in terms of the Framework – 1.0)

All Borrower categories as mentioned above in point (2) where the resolution plans had implemented with **no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years.**

4.1) Permitted features of resolution plans and Conditions:

- To modify earlier resolution plans **only** to the extent of increasing the period of moratorium / extension of residual tenor subject to the overall cap on extension of residual tenor, inclusive of moratorium period if any, upto be two years.
- 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.

4.2) Asset classification and Provisioning:

- **Asset Classification Provisioning shall continue to be as per the Resolution Framework – 1.0**

5) Time line for implementation of resolution Plan:

- Last date for invocation is September 30, 2021.
- Date of Invocation - (The date of invocation shall be the date on which the borrower submits his formal request to the bank for loan repayment relief. On acceptance of request same will be treated as in principle agreement to proceed with a resolution plan under this framework subject to submission of details such as projected cash flow statement and other related details)
- The decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such application.
- The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process (i.e. 31.12.2021) whichever earlier.

6) Process flow and indicative Documents to be submitted from the Borrowers:

6.1) A borrower will be considered as affected by Covid-19 pandemic if any of the following conditions are fulfilled:

- Salary/Income has got reduced when compared to Feb 2020
- Pay Cut/Reduction/suspension in salary due to lockdown /slow down of business /no business activity
- Job Loss/closure of business
- Closure during lockdown/reduced activity of units/shops/business establishments in case of self-employed/professionals/business.
- Hospitalization of borrower /his close family member (supported with documentary evidence)

6.2) For Salaried customers:

- a) Prescribed Application for restructure with relevant details and consent of guarantors
- b) 6 months salary slip/ salary details on employer's letter
- c) 1 year bank statement
- d) ITR in case of taxable income
- e) Employer communication in case of pay cut/ loss of job/suspension
- f) In case of loss of job/change of job relevant details and plan of repayment

6.3) For Self Employed customers:

- a) Prescribed Application for restructure with relevant details and consent of guarantors
- b) Latest Income Tax returns and full set of financials.
- c) 1 year bank statement
- d) Latest GST returns for 6 months
- e) Bank officials visit report at borrower's business place
- f) Proposed plan/projections to overcome the situation/repayment of loan

6.4) Process to be followed by the branches:

- a) Each branch will issue an acknowledgement for application received from the borrower.
- b) A register is to be maintained in the branches where details such as date of receipt of application, sanction/rejected with reasons etc
- c) Application with all relevant information should be forwarded to Head Office within 15 days from the receipt of the application but not later than 30th September 21
- d) On receipt of decision on the applications from Head office, decision to be communicated within 30 days and resolution plan should be implemented within 90 days from sanction.
- e) Dispute over resolution raised by the borrower if any should be reported to Head Office immediately.
- f) At head Office applications received from branches should be disposed off on priority.

7) Working capital facilities to small businesses where resolution plans were implemented previously Under Framework – 1.0:

Following categories having aggregate exposure of not more than Rs.25 crore as on March 31, 2021:

- Individuals who have availed of loans and advances for business purposes.
- 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.

7.1) Permitted features of resolution plans and Conditions:

- To review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle
- Reduction of margins requirements on stock upto 10% and debtors upto 20%, increasing outstanding period of Debtors upto 180 days for DP consideration etc. without the same being treated as restructuring.
- The decision with regard to above shall be taken by September 30, 2021,
- 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.

8) The resolution plan will be deemed to be implemented if all of the following conditions are met:

- All related documentation, including execution of necessary agreements with borrowers / creation of security charge / perfection of securities, are completed in consonance with the Resolution plan being implemented.
- The changes in the terms of conditions of the loans should get duly reflected in the CBS System/books.
- Customer is not in default as per the revised repayment terms.

9) Disclosures and Credit Reporting:

- The Bank shall make the required disclosures in respect of borrower accounts under Resolution Framework in annual financial statements, along with other prescribed disclosures.
- The credit reporting in respect of borrowers where the resolution plan is implemented shall reflect the “restructured due to COVID-19” status of the account.

Resolution Framework 2.0 – for Micro, Small and Medium Enterprises (MSMEs)

The bank shall restructure existing advance to MSME Borrowers without a downgrade in the asset classification subject to following conditions:

1) Eligible Borrowers:

- Resolution under this facility is provided **only to the borrowers having stress on account of Covid-19.**
- 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.
- The borrowing entity is GST-registered on the date of implementation of the restructuring. (This condition will not apply to MSMEs that are exempt from GST-registration. The basis of exemption limit as on March 31, 2021.)
- The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
- The borrower’s account was a ‘standard asset’ as on March 31, 2021.
- The borrower’s account was not restructured earlier .

2) Time line for implementation of resolution Plan

- Last date for invocation is September 30, 2021.
- Date of Invocation - (The date of invocation shall be the date on which the borrower submits his formal request to the bank for loan repayment relief. On acceptance of request same will be treated as in principle agreement to proceed with a resolution plan under this framework subject to submission of details such as projected cash flow statement and other related details)

- The decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such applications.
- The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process or 31.12.2021 whichever earlier.
- Udyam Registration is required to be completed before the date of implementation of the restructuring plan, if not registered earlier.
- The decision to invoke the restructuring under this facility shall be taken independently irrespective of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

3) Asset classification and Provisioning :

- Asset classification of borrowers classified as standard shall be retained as Standard.
- 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.
- **Provision of 10 percent** of the residual debt of the borrower shall be maintained.

4) The credit facilities to MSME Borrowers where resolution plans were implemented previously in terms of the MSME restructuring circulars:

- 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 September 30, 2021.
- The reassessed sanctioned limit / drawing power shall be subject to review on a half yearly basis and the renewal / reassessment on an annual basis.
- The annual renewal/reassessment of limits shall be as per the then-prevailing business conditions.

5) All other instructions specified in the circular DOR.No.BP.BC /4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.

The above policy is subject to amendment of RBI guidelines/directions issued from time to time.