



CAPITALINDIA

Rediscover Business

Policy
on
Resolution of stressed Assets due to Covid 19 for
Micro, Small & Medium Enterprises (MSMEs)

Version	:	2
Owned By	:	Head-Credit & Collections
Approved By	:	Board
Effective From	:	May 18, 2021

1. Introduction

India has been hit by second wave of Corona – 19 infection in early April 2021, due to which State Governments implemented various plan to restrict public movements and imposed lockdown for different geographies. The economic fallout on account of same has led to significant financial stress for borrowers across the loans/asset classes. The resultant stress can potentially impact the sustainability of many businesses/firms, which otherwise have a good track record of servicing their current and past obligations, as their debt burden may become disproportionate to their cash flows and could lead to impairing of the loans and the entire recovery process.

With the intent to facilitate revival of small business & individual activities and mitigate the impact on the ultimate borrowers, the Reserve Bank of India (“RBI”) has issued the guidelines vide its Notification dated May 5th, 2021, on Resolution **Framework – 2.0: RBI/2021-22/31**. DOR.STR.REC.11/21.04.048/2021-22, Resolution of Covid-19 related stress of Individuals & Small Businesses. The RBI guidelines has permitted lending institution limited window to this sector namely, individual borrower and small business to implement the resolution plan. The guidelines also provide for treating credit exposure to be classified as standard upon implementation of the resolution subject certain condition as mentioned into the said policy.

Pursuant to the Resolution Framework, Capital India Home loans Limited (“Company”) has framed the policy pertaining to implementation of viable resolution plans (RP) for eligible borrowers in accordance with the provisions of the Resolution Framework (“Policy”).

2. Purpose:

This Policy specifies the requirements of resolution for loans to Micro, Small and Medium Enterprises (MSME) sector, in accordance with provisions of the Resolution Framework. The Company shall ensure that the resolution under this policy is provided only to the borrowers having stress on account of COVID-19.

Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this policy may continue to be considered for resolution under the Prudential Framework or the relevant instructions as may be issued by RBI or NHB, as applicable from time to time.

3. Definitions:

In this policy, unless there is anything in the subject or context inconsistent therewith, the expressions listed below shall, when capitalized, have the following meanings:

“Board” means the board of directors of the Company.

“Borrower(s)” means the borrowers who have availed the loan facility(s) from the Company.

“Current Ratio” means Current assets divided by current liabilities.

“NPA” means Non-Performing Assets.

“Personal Loans” means the loans granted by the Company to individual Borrower(s) and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).

“Prudential Framework” means Prudential Framework for Resolution of Stressed Assets) Directions 2019, issued by RBI dated June 7, 2019, as amended from time to time.

“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.

“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 amortization.

MSME: 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.

4. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

Applicability (Primary Criteria)	<p>Debts Given to Borrower for Business purpose other than personal loans:</p> <ul style="list-style-type: none"> · MSME Borrowers with aggregate Exposure up to 25 Cr (including Non-Fund Based) as on 31st Mar 2021 from all lending institutions. · Borrower’s Account was standard as on 31st Mar 2021. · Borrower must be impacted due to COVID 19- Lockdown etc. · Borrower’s Account was not restructured with reference to earlier circulars dated of RBI i.e., 6th Aug 2020, 11th Feb 2020 & 1st Jan 2019 (Collectively referred to as MSME restructuring circular) <p>However semi-annual or annual review of account like working capital limit or drawing power based and if any change in it will not considered as restructuring under this norm.</p> <p>Detail’s assessment process/ parameters described in annexure – 1</p>
Additional Condition	<ul style="list-style-type: none"> · Borrowers Entity must be registered with GST before implementation of this plan however this condition is not applicable to them who are exempted from GST registration as on 31st Mar 2021. · Borrower to be registered with Udyam Registration portal before implementation of this plan. -
Time Limit	<p>The application and resolution process to be completed before 30th Sept 2021.</p> <p>The borrower will be communicated Resolution Plan (RP) in writing within 30 days from date of application.</p> <p>And with consent of borrower last date of invocation of RP will be 30th Sept 2021.</p> <p>RP plan to be implemented within 90 days from date of invocation.</p>
In Case of Multiple Loans of borrowers	<p>Decision of invoking of restructuring loans under this facility shall be taken by Company. A threshold of Rs 25 cr aggerated exposure will be check through latest credit bureau of borrower.</p>
Invocation Date	<p>For invocation, the borrowers are required to merely submit a request to the lending institutions for being considered under the Resolution Framework.</p>

	<p>After such invocation, the specific contours of resolution plan to be implemented may be decided by the lending institutions, in consultation with the borrower.</p> <p>The restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of the borrower who has applied for such resolution.</p> <p>Resolution may be invoked by 30th Sept 2021.</p>											
Resolution Plan	The overall resolution plan would be as per guidelines of the RBI circular dated 5 th May 2021 and MSME restructuring Instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020											
Assets Classification & Provision	<p>Assets Classification:</p> <table border="1"> <thead> <tr> <th>Plan Implemented</th> <th>Account Status</th> <th>Assets Classification</th> </tr> </thead> <tbody> <tr> <td rowspan="2">If Yes</td> <td>Standard</td> <td>To be retained as Standard</td> </tr> <tr> <td>If Slipped into NPA between 1st April 2021 & Implementation</td> <td>To Be upgraded as Standard as on the of implementation of plan.</td> </tr> <tr> <td>If Not</td> <td colspan="2">Asset classification on basis of actual performance.</td> </tr> </tbody> </table>	Plan Implemented	Account Status	Assets Classification	If Yes	Standard	To be retained as Standard	If Slipped into NPA between 1 st April 2021 & Implementation	To Be upgraded as Standard as on the of implementation of plan.	If Not	Asset classification on basis of actual performance.	
Plan Implemented	Account Status	Assets Classification										
If Yes	Standard	To be retained as Standard										
	If Slipped into NPA between 1 st April 2021 & Implementation	To Be upgraded as Standard as on the of implementation of plan.										
If Not	Asset classification on basis of actual performance.											
Provision Norms	Upon Implementation of this plan Lending Institution shall keep provision of 10% of the residual debts of borrower.											
Reassessment of the working capital	<p>In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. to be reviewed without the same being treated as restructuring as one-time measures.</p> <p>The decision with regards to above shall be taken by lending institutions latest by September 30, 2021.</p> <p>The reassessed sanctioned limit / drawing power shall be subject to review, 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.</p>											

The above measures shall be contingent and implementation in the spirit hat the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.

5. Monitoring Post Implementation

- The RBI has prescribed a clear monitoring period for accounts which are restructured under this Policy. This period begins from the date of implementation till the point in time when the Borrower pays back at least 10% of the residual debt subject to a minimum 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.
- In case a Borrower is in default during the monitoring period, a review period of 30 days gets triggered and the extant policy guidelines will be applicable.
- Upon completion of the monitoring period without being classified as NPA, the asset classification norms will revert to the criteria as per the extant policy norms.
- The provisions required to be maintained, 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 as well as the additional provisioning requirements as and when the Prudential Framework becomes applicable in respect of the particular account.

6. Delegation:

All resolution of stressed assets under this policy including any subsequent modifications of resolution plan(s) under this policy shall be approved at CCO or CEO or MD level only.

7. General clause:

Notwithstanding the eligibility criteria as specified under this Policy, loan accounts of Borrower/s who had availed a moratorium in terms of circular no. RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and / or circular no. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020, issued by RBI on COVID-19 – Regulatory Package and whose repayment schedule got changed due to accrued interest during moratorium as guided by said circular; will not be deemed as reschedulement under this policy as long as respective Borrower/s are not seeking any more resolution plan under this policy and will be repaying loan as per the agreed terms from the September 2020 onwards.

The Company shall be entitled to prescribe such documentations and terms and conditions, as it deems necessary for the purpose of effective implementation of resolution plan in accordance with the Resolution Framework.

The contents of this Policy shall always be read in conjunction with the circulars and / or other guidelines issued in this regard, from time to time and in the event of any conflict of any of the provisions, the provisions as mentioned in the circulars shall prevail. Any further amendments / announcements / revisions / clarifications to these measures for resolution of stress assets, as may be applicable to the Company, shall be deemed to be suitably incorporated, mutatis mutandis, in this Policy.

This Policy is subject to review by the Board, as and when deemed necessary. The Board may amend or revise this Policy from time to time, as required under the guidelines issued by RBI and/or NHB and other applicable laws.

Notwithstanding anything contained in this Policy, the Company shall ensure compliance with any additional requirements as may be prescribed under the provisions of applicable laws / regulations, either existing or arising out of any amendment to such laws / regulations or otherwise, from time to time.

8. Summary: Said policy drafted for giving relief to those customers who are severely impacted with current lockdown situation in major part of country amid COVID-19. Policy is based on RBI circular RBI/ 2021-22/31 DOR.STR.REC.12 /21.04.048/2021-22 dated May 5th, 2021.
9. Deviation Grid:
Any deviation to above policy can be approved by Head (Credit & Collection) / CEO.

Annexure-1

Credit Assessment Sheet	
Customer Name	
Co Borrower	
Disbursement Date	
Disbursement Amount	
Original Sanction Tenure	
EMI Served	
Balance Tenure	
Current Principle Outstanding	
Type of Customer	Individual / Small Business / MSME
Industry Type	
Application receipt Date	
Tele PD Date	
Account status as on 31st March-2021	
Documents Collected	For Salaried - March 2020 Salary Slip - March 2021 Salary Slip - Bank Statement last 6 months - Latest KYC of Applicant & Co applicant For Self Employed - FY 2019-20 Financials+ITR - Bank Statement of last 6 months
Current Lockdown Impact on Cash Flows	
Moratorium Availed During FY 20-21	Yes/ No
Assessment Criteria - Salaried	<ul style="list-style-type: none"> - INSR for March 2020 <70% - INSR for March 2021 <95%
Assessment Criteria - Self Employed (Financial Appraisal)	<ul style="list-style-type: none"> - Current Ratio>1 (as on 31.03.2020) - Debt Equity <6 (as on 31.03.2020) - Projected DSCR >1
Assessment Criteria - Self Employed (Surrogate Assessment)	<ul style="list-style-type: none"> - DPD<30 days as on March 1, 2020 - Decline in Turnover of FY 2020-21 as compared to FY 2019-20 by more than 25% - ABB/EMI>1 for March 2020
Current CIBIL Score	

Comment on CIBIL (if any)	
Recovery Strategy of customer	
Deviation (If Any)	
Overall Credit Observation	

Note: Tele PD to be done with customer considering current lockdown condition.