

# SF3-IN COVID-19 Restructuring Policy

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**June 2022**

**Version 04**

**BMW India Financial Services**

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1.0	October 2020	Policy adopted	30 <sup>th</sup> October, 2020
2.0	May 2021	Policy amended pursuant to RBI Circulars on Resolution Framework 2.0 dated 05 <sup>th</sup> May 2021	27 <sup>th</sup> May 2021
3.0	June 2021	Policy amended pursuant to RBI Circulars dated 4 <sup>th</sup> June 2021 for revising threshold limits prescribed in circulars for Resolution Framework 2.0 dated 05 <sup>th</sup> May 2021	10 <sup>th</sup> June 2021
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<b>Next Review Date</b>	Not applicable
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## 1. Scope and Purpose

The COVID-19 Restructuring Policy (“Policy”) is a general and comprehensive guideline applicable to BMW India Financial Services Private Limited (“Company”) and binding for all employees of the Company.

This Policy intends to provide guidelines for resolution mechanism pursuant to RBI circular no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 named ‘Resolution Framework for COVID-19-related Stress’ (hereinafter referred to as “Resolution Framework 1.0”), read with Report of the Expert Committee on Resolution Framework for Covid-19 related Stress released vide press release dated September 7, 2020, for borrowers having stress on account of COVID-19, and also provides guidelines for restructuring of MSME entities pursuant to the RBI circular no. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 named Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances (hereinafter referred to as “MSME COVID Restructuring 1.0”).

Pursuant to the Resolution Framework for COVID-19-related Stress, the Company is required to put in place a Board approved policy detailing the manner in which evaluation of stress on borrowers on account of COVID-19 and the criteria to be applied for considering the resolution plan in each case. The Company may provide resolution mechanism to the borrowers stressed on account of COVID-19 subject to the conditions mentioned herein.

This Policy also intends to provide guidelines for resolution mechanism pursuant to RBI circular no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 named ‘Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses’ (hereinafter referred to as “Resolution Framework 2.0”) and circular no. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 May 5 dated May 5, 2021 named ‘Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)’ (hereinafter referred to as “MSME COVID Restructuring 2.0”).

Pursuant to the Resolution Framework 2.0, the Company is required to put in place a Board approved policy detailing various aspects like eligibility of borrowers, due diligence considerations to be followed, system for redressing the grievance of borrowers, measures for providing Working capital support for small businesses where resolution plans were implemented previously etc.

This Policy has been amended to include necessary changes as per the RBI Circular no. RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021 named Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure (hereinafter referred to as “Resolution Framework 2.0 revised”) and Circular no. RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021 named Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure (hereinafter referred to as “MSME COVID Restructuring 2.0 revised”).

For operational purpose, the delegation is being granted to the National Risk Committee (NRC) for implementation of this policy.

## **2. Effective Date of the Policy.**

The Policy will be effective from the date of its approval by the Board of Directors or as may be amended and approved by the Board of Directors from time to time.

## **3. General Rule**

- 3.1. For Section I - Any other conditions / procedure which may not be covered under this Policy shall be read as per Resolution Framework 1.0 or MSME COVID Restructuring 1.0 or in case of any conflict/ deviation, such applicable framework shall prevail.
- 3.2. For Section II - Any other conditions / procedure which may not be covered under this Policy shall be read as per Resolution Framework 2.0 read with Resolution Framework 2.0 revised or MSME COVID Restructuring 2.0 read with MSME COVID Restructuring 2.0 revised and/or such Frameworks 2.0 read with any other notification as may be issued by the RBI or any other relevant authority or in case of any conflict/ deviation, such applicable framework(s) and/or notifications shall prevail.

## **4. Sections**

This Policy is divided into two Sections namely Section I and Section II.

While Section I deals with Resolution Framework 1.0 and MSME COVID Restructuring 1.0, Section II deals with Resolution Framework 2.0 read with Resolution Framework 2.0 revised and MSME COVID Restructuring 2.0 read with MSME COVID Restructuring 2.0 revised.

The aforesaid sections of the Policy have been described hereunder.

### **Section I**

Section I dealing with Resolution Framework 1.0 and MSME COVID Restructuring 1.0 is further divided into three parts viz. Part A, Part B and Part C:

- Part A is applicable to the individual borrowers having Personal Loans.
- Part B pertains to borrowers (including retail borrowers) other than those covered in Part A.
- Part C is applicable to the MSME borrowers not covered in Part A and Part B.

### **Part A**

Part A of this policy is applicable to the individual borrowers having Personal Loans.

Personal Loans shall have the same meaning as per RBI Circular no. RBI/2017-18/117 DBR.No.BP.BC.99/08.13.100/2017-18 dated January 04, 2018 (including amendment thereof). For

our business, all the retail loans granted to the individual borrowers (excluding Sole proprietorship) will fall under the category of Personal Loans.

1. **Eligible Borrowers:** Borrower accounts which were classified as standard, but not in default for more than 30 days with the Company as on March 1, 2020 and have been affected by COVID-19 and continue to remain as standard across all its loans/facilities till date of invocation are eligible for restructuring.

However, credit facilities given to the employees of the Company are not eligible for resolution. The Borrowers classified as wilful defaulters/fraud with any lender and/or who are undergoing procedure pursuant to Insolvency and Bankruptcy Code 2016 (including any amendment thereof) shall also be ineligible.

For this purpose, the impact of COVID-19 on the borrower should be assessed by the approving authority based on the documentary evidence and for the same the approving authority will have liberty to call for such other additional document as they may deem fit.

A borrower will be considered as affected by Covid-19 pandemic (subject to documentary evidence), if any of the following conditions are fulfilled:

- i. Salary/income has got reduced when compared to February 2020.
- ii. Reduction/suspension in salary during lockdown period.
- iii. Job Loss/closure of business.
- iv. Closure during lockdown/reduced activity of units/shops/business establishments in case of self-employed/ professionals/ businessmen.

The indicative List of Documents is provided in Annexure I as appended hereunder.

2. **Cut-off date for applying and Invocation:** Resolution cannot be invoked later than 31<sup>st</sup> December, 2020 and must be implemented within 90 days from the date of invocation. Duly complete application request received for restructuring under this scheme up to 16<sup>th</sup> December 2020 to be considered. Any application received thereafter may not be considered.

The date of invocation shall be the date on which both borrower and the Company agree to proceed with the resolution plan.

3. **Processing fee, other costs and interest rate:** The Company may levy additional charges including processing fee and other costs and may also change the interest rates on such loans where restructuring is being sought under this Policy.
4. **Modes of resolution:** The resolution plans may be implemented by way:
  - 4.1. Rescheduling of payments upto a period of two years.
  - 4.2. Moratorium upto six months.
5. **Implementation of Resolution Plan:** Upon discussion between the Company and the borrower, the resolution plan shall be deemed to be implemented if the following conditions are

fully satisfied:

- 5.1. All related documentation, including execution of necessary agreements between the Company and the borrower and collaterals provided, if any, are completed by the Company in consonance with the resolution plan being implemented;
  - 5.2. The changes in the terms of conditions of the loans to duly reflect in the relevant books of the Company; and,
  - 5.3. The borrower is not in default with the Company as per the revised terms.
6. **Provisioning and Reversal of provisions:** On implementation of resolution plan, provisioning will be done in accordance with the regulatory requirements thereof. As the Company is required to prepare its books or accounts in accordance with the Indian Accounting Standards (IND AS), the provisioning therein shall in be in accordance thereto and for regulatory reporting to RBI the same will be in accordance with the RBI Guidelines thereof as provided under the Resolution Framework for COVID-19-related Stress.

The reversal of provisions as created above to be done in line with the regulatory requirements.

7. **Post Implementation Performance:** After implementation of the resolution plan, 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.
8. **Asset classification:** If a resolution plan is implemented, 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.
9. **Breach of Conditions:** Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 issued by the Reserve Bank of India.
10. **Credit Bureau Reporting:** All the borrowers being restructured under Part A shall be reported as "Restructured". 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.

## Part B

Part B of this policy is applicable to the other eligible borrowers not covered under Part A as stated above. MSME borrowers with overall exposure of INR 25 Crore or less with all lenders shall not be covered under this scheme.

1. **Eligible Borrowers:** Borrower accounts which were classified as standard, but not in default

with any lending institution for more than 30 days as on March 1, 2020.

For this purpose, the Company should have reasonable grounds to believe that the borrower is under stress due to impact of COVID-19.

There is no change in ownership of such borrower.

Further, the accounts should continue to remain standard till the date of invocation.

**2. Cut-off date:** Resolution cannot be invoked after December 31, 2020 and must be implemented within 180 days from the date of invocation. Duly complete application request received for restructuring under this scheme up to 30<sup>th</sup> November 2020 to be considered. Any application received thereafter may not be considered.

**3. Deemed date of invocation:**

- 3.1. Where the eligible borrower has exposure only with the Company - Date on which both the borrower and the Company have agreed to proceed with the resolution plan.
- 3.2. Where the eligible borrower has exposure with multiple lenders along with Company - Resolution process shall be treated as invoked once lenders representing 75% by value and 60% by number (Majority Lenders) agree to invoke the same.

**4. Signing of Inter-Creditor Agreement:**

- 4.1. Where the resolution plan is invoked as per 3.2 above, Inter-Creditor Agreement (ICA) is required to be signed by all lenders within 30 days of invocation.
- 4.2. In cases where the resolution process has been invoked but lending institutions representing 75% in value and not less than 60% by number, do not sign the ICA within 30 days from the invocation, the invocation will be treated as lapsed. In respect of such borrowers, the resolution process cannot be invoked again under the Resolution framework.

**5. Provisioning:** On implementation of resolution plan, provisioning will be done in accordance with the regulatory requirements thereof. As the Company is required to prepare its books or accounts in accordance with the IND AS, the provisioning therein shall in be in accordance thereto and for regulatory reporting to RBI the same will be in accordance with the RBI Guidelines thereof as provided under the Resolution Framework for COVID-19-related Stress.

**6. Features of Resolution Plan (RP):** The Resolution Plan may include:

- 6.1. For borrowers having Retail Finance Exposure with the Company: The resolution plans may be implemented by way of:
  - 6.1.1. The resolution plans will be implemented by way of rescheduling of payments upto a period of two years.
  - 6.1.2. Moratorium upto six months.
- 6.2. For borrowers having Commercial Finance Exposure with the Company:
  - 6.2.1. Rescheduling of payments upto a period of two years.
  - 6.2.2. Conversion of interest into other another credit facility.

- 6.2.3. Additional finance: RP may include sanctioning of additional credit facilities to address the financial stress of the borrower on account of Covid19 even if there is no renegotiation of existing debt
- 6.2.4. Moratorium: The residual tenor of the loan may be extended by maximum 2 years with or without payment moratorium. The moratorium period, if granted, shall come into force immediately upon implementation of the RP.
- 6.2.5. Conversion into other securities and valuation:
- 6.2.3.1. RP may provide for conversion of debt into equity or other marketable non-convertible debt securities provided amortization and coupon are similar to terms of debt.
- 6.2.3.2. Equity shall be valued as per lower of breakup value or DCF value (for unlisted companies) and market price (for listed companies).
- 6.2.3.3. Any other instrument shall be valued at Re.1.
- 6.2.6. Any other mode of restructuring as may be included in the RBI's Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019.
- 6.3. Where the exposure of any account is greater than INR 100 Crore, the Resolution Plan shall require an Independent Credit Evaluation (ICE) to be obtained from any one Credit Rating Agency authorized by the RBI.

## 7. Parameters for Resolution Plan:

- 7.1. As per the report of the Expert Committee, the following financial parameters should be required to be factored into the assumptions for any resolution plan:
- Total Outside Liability / Adjusted Tangible Net Worth (TOL / Adjusted TNW)
  - Total Debt / EBIDTA
  - Current Ratio
  - Debt Service Coverage Ratio (DSCR)
  - Average Debt Service Coverage Ratio (ADSCR)

Definition of ratios and sector-wise minimum parameters based on such ratios are given in **Annexure II** appended hereunder.

- 7.2. For the borrowers belonging to 26 specified sectors from the Report of Expert Committee, the RP may be prepared based on the pre-Covid-19 operating and financial performance of such borrower and impact of Covid-19 on its operating and financial performance in Q1 and Q2FY21, to assess the cash-flows for FY21 / FY22 and subsequent years. In these financial projections, the threshold TOL/Adjusted TNW and Debt/ EBIDTA ratios should be met by FY 23. The other three threshold ratios should be met for each year of the projections starting from FY 22. The base case financial projections shall be required to be prepared as part of RP. The operating and financial performance will be evaluated based on the financial parameters like turnover, profit etc. Further, the prescribed ratios will be required to be evaluated for the prospective years.

The indicative List of Documents to be obtained is provided in **Annexure I** as appended hereunder.

7.3. For the other sectors not covered in the 26 specified sectors, the current ratio and DSCR shall be 1.0 and above, and ADSCR shall be 1.2 and above. The solvency ratios are as per internal assessment of the Company and are as mentioned in the Annexure II.

**8. Processing fee, other costs and interest rate:** The Company may levy additional charges including processing fee and other costs and may also increase the interest rates on such loans where restructuring is being sought under this Policy.

**9. Opening of Escrow Account:**

9.1. In case of Resolution Plan involving multiple lending institutions, such resolution plan should provide that, post implementation, all receipts by the borrower, all repayments by the respective borrower to the lending institutions including Company, as well as all additional disbursements, if any, to such borrower as part of the resolution plan, shall be routed through an escrow account maintained with one of the lending institutions.

9.2. To facilitate above, the Company along with other lending institutions shall enter into a formal agreement with the escrow manager. Such agreement shall detail the duties and responsibilities of the escrow manager, the Company along with other lending institutions and the enforcement mechanism that will be contractually available to the escrow manager to ensure timely servicing of disbursement obligations by such lenders.

**10.Reversal of Provisions:** The reversal of provisions created as per 4 above to be done in line with the regulatory requirements. .

**11.Post Implementation Performance:**

11.1. Where the Company is party to any ICA, any default by the borrower with any of the signatories to such ICA during the monitoring period (as defined in the Resolution Framework for COVID-19-related Stress) shall trigger a Review Period of 30 days.

11.2. Where the borrower is in default with any of the signatories to the ICA at the end of the Review Period, the asset classification of such borrower for the Company shall be downgraded to NPA from the date of implementation of the resolution plan or the date from which the borrower had been classified as NPA before implementation of the plan, whichever is earlier.

11.3. In all cases, further upgradation shall be subject to implementation of a fresh restructuring under the Prudential Framework.

**12.Asset classification:** For RP under Part B, the following shall apply:

12.1. Any Additional finance to the borrower in respect of whom the resolution plan has been invoked, if sanctioned even before implementation of the plan in order to meet his interim liquidity requirements, 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.

12.2. If the resolution plan is not implemented within the timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of such borrower with respect to the additional finance or the rest of the credit facilities, whichever is worse.

12.3. If a resolution plan is implemented, 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.

**13. Breach of Conditions:** Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 issued by the Reserve Bank of India.

**14. Credit Bureau Reporting:** All the borrowers being restructured under Part B shall be reported as "Restructured". 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.

### Part C

Part C is applicable to the MSME borrowers not covered under Part B of this policy.

The borrowers having commercial finance exposure with the Company as Dealers are not categorised as MSME.

1. In line with the RBI circular named Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated August 6, 2020, the Company may restructure the MSME borrowers classified as 'Standard' without a downgrade in the asset classification subject to following conditions:
  - 1.1. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed INR 25 crore as on March 1, 2020.
  - 1.2. The borrower's account was a 'standard asset' as on March 1, 2020.
  - 1.3. The restructuring of the borrower account is implemented by March 31, 2021.
  - 1.4. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
2. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

The asset classification benefit will be available only if the restructuring is done as per provisions of RBI circular named Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated August 6, 2020.
3. Provisioning: As hitherto, for accounts restructured under Part C of Policy, additional provision of 5% over and above the provision already held shall be required to be made.
4. All other instructions specified in the RBI circular named Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated February 11, 2020 shall remain applicable.

**Annexure I****Indicative list of documents to be obtained****A. For salaried customers covered in Part A of the Policy:**

- (i) KYC documents of borrower/s, guarantors (Voter ID, Passport, Driving License, UID, PAN card etc.)
- (ii) Updated salary credit bank statement of last 12 months of all loan applicants (if SF repayment bank statement is different, the same needs to be documented)
- (iii) Latest 6 months' Salary Slip
- (iv) Latest 2 years IT returns and Form 16 for latest year/ Form 26 AS for FY.19-20 and F.Y. 20-21 till date
- (v) In case of Job Loss/ salary cut / deferment – Letter from employer about termination of employment/ salary reduction/ deferment
- (vi) Any other document as may be required to assess the impact of COVID-19 on such borrower.

**B. For other individual customers, other than salaried, covered in Part A of the Policy:**

- (i) KYC documents of borrower/s, guarantors (Voter ID, Passport, Driving License, UID, PAN card etc.)
- (ii) Bank statements for last 12 months for all loan applicants (if SF repayment bank statement is different, the same needs to be documented)
- (iii) Latest 2 years IT returns and Form 16 for latest year/ Form 26 AS for FY.19-20 and F.Y. 20-21 till date
- (iv) GST 1 returns for FY 2020 and FY 2021 - till date
- (v) A declaration by self-employed professionals/ businessmen declaring that their business is affected by COVID-19.
- (vi) MSME certificate / Letter issued to the customer (if available)
- (vii) Any other document as may be required to assess the impact of COVID-19 on such borrower.

**C. For borrowers covered under Part B of this Policy:**

- (i) Board Resolution (in case of Companies) stating that the Company's operations are under stress on account of Covid-19. In case of other applicants, an undertaking, that unit's operations are under stress on account of COVID-19.
- (ii) Application form for restructuring covering atleast (a) write up on reason for restructuring, (b) impact of COVID19 on the business, (c) plan for streamlining on reviving the business (d) comment on restructuring by other lenders to the borrower, facilities to be restructured, tenor of restructuring.
- (iii) Latest audited financials with complete annexures, notes to accounts, main audit report, Board's report, accounting policies and tax audit report.
- (iv) Interim (provisional) financials till immediate previous month to the one in which application is made.

- (v) Month wise no. of units (model wise) sold in period for which audited financials given and the period for which interim financials are given. (Applicable for borrowers having Commercial Finance Exposure with the Company).
- (vi) Month wise & model wise with selling price, number of units targeted to be sold from FY2021 to the period for restructuring. (Applicable for borrowers having Commercial Finance Exposure with the Company).
- (vii) Detailed projected financials for next years for which restructuring is requested for 'or' for the remaining tenure in case of term loan.
- (viii) Details of changes in the management since last renewal (if any) and latest CA certified shareholding.
- (ix) KYC documents of directors, shareholders & dealership.
- (x) Copy of GST returns for the period for which interim provisional are submitted.
- (xi) Bank Statements of all Working Capital lenders for last 12 months.
- (xii) Break up of Existing Secured/unsecured loans (a) Name of banks/financiers along with amount of facility/limits respectively (b) Sanction letters of these bankers/financiers.
- (xiii) CA certified turnover (if GST not applicable) from 1<sup>st</sup> April, 2019.
- (xiv) Personal Guarantee of promoters.
- (xv) Any other document as may be required to assess the impact of COVID-19 on such borrower.

## Annexure II

## 1. Definition of Key Ratios

Total Outside Liability / Adjusted Tangible Net Worth (TOL / Adjusted TNW)	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 / EBIDTA	Addition of short term and long-term debt divided by addition of profit before tax, interest and finance charges along with depreciation and amortisation.
Current Ratio	Current assets divided by current liabilities.
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.
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.

## 2. Sector- specific thresholds (ceilings or floors, as applicable) of key 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	--	>= 1.20	>= 1.00
Aviation**	<= 6.00	<= 5.50	>= 0.40	--	--
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
– Transmission	<=4.00	<=6.00	>=1.00	>=1.20	>=1.00
– Distribution	<=3.00	<=6.00	>=1.00	>=1.20	>=1.00
Real Estate***					
– Residential	<=7.00	<=9.00	>=1.00	>=1.20	>=1.00
– Commercial	<=10.00	<=12.00	>=1.00	>=1.20	>=1.00
Roads****	--	--	--	>=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	
Others not specified above	<=4.00	<=5.00	>=1.00	>=1.20	>=1.00

Note: 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.

\*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.

\*\*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.

\*\*\*Considering the typical nature of Real Estate projects, the parameters to be considered at project level rather than at entity level.

\*\*\*\*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 / Adj TNW, Debt/EBITDA and Current ratio may not be relevant at the time of restructuring in this sector.

\*\*\*\*\*Most of the companies in the sector do not use long term debt for funding their operations and are unlisted. Hence, DSCR and Avg DSCR may not be relevant for the sector.

## Section II

Section II deals with Resolution Framework 2.0 read with Resolution Framework 2.0 revised and MSME COVID Restructuring 2.0 read with MSME COVID Restructuring 2.0 revised.

Section II is further divided into three parts viz. Part D, Part E and Part F.

- Part D pertains to Resolution of advances to individuals and small businesses.
- Part E lays down measures for Working capital support for small businesses where resolution plans were implemented previously.
- Part F is applicable for restructuring of advances to the MSME borrowers.

### Part D

Part D of this policy is applicable for resolution of advances to individuals and small businesses who are having stress on account of Covid-19.

1. **Eligible Borrowers:** Following borrowers will be eligible for resolution:
  - a. Individuals who have availed of personal loans. However, credit facilities given to the employees of the Company are not eligible for resolution.
  - b. Individuals who have availed of loans and advances for business purposes, and have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.
  - c. Small businesses, including those engaged in retail and wholesale trade, except MSME as on March 31, 2021, and have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.

Personal loans shall have the same meaning as defined in Part A of this policy.

The credit facilities given to the concerned borrower shall be classified as 'Standard' as on March 31, 2021.

The following borrower accounts / credit facilities shall not be eligible for resolution under Resolution Framework 2.0:

- a. MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs.25 crore or less as on March 1, 2020.
- b. Farm credit as mentioned in Resolution Framework 1.0 read with FAQs thereon.
- 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 lending institutions to financial service providers.
- e. Exposures of lending institutions to Central and State Governments; Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

The Borrowers classified as willful defaulters/fraud with any lender and/or who are undergoing procedure pursuant to Insolvency and Bankruptcy Code 2016 (including any amendment thereof) shall also be ineligible.

For this purpose, the impact of COVID-19 on the borrower should be assessed by the approving authority based on the documentary evidence and for the same the approving authority will have liberty to call for such other additional document as they may deem fit.

A borrower will be considered as affected by Covid-19 pandemic (subject to documentary evidence), if any of the following conditions are fulfilled:

- (i). Salary/income has got reduced when compared to March 2021.
- (ii). Reduction/suspension in salary during lockdown period.
- (iii). Job Loss/closure of business.
- (iv). Closure during lockdown/reduced activity of units/shops/business establishments in case of self-employed/ professionals/ businessmen.

The indicative List of Documents is provided in Annexure III as appended hereunder.

The borrower accounts who have availed any resolution pursuant to Resolution Framework – 1.0 will be restructured only as per Clause 8 of Part D of this policy.

2. **Cut-off date for applying and Invocation:** Resolution cannot be invoked later than 30<sup>th</sup> September 2021 and must be implemented within 90 days from the date of invocation.

Duly complete application request received for restructuring under this scheme up to 31st August 2021 to be considered. Any application received thereafter may not be considered.

The date of invocation shall be the date on which both borrower and the Company agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.

Any duly complete application received from the customer, the assessment of eligibility shall be completed, and the decision on the application shall be communicated in writing to such applicant within 30 days of receipt of such duly complete application.

3. **Processing fee, other costs and interest rate:** The Company may levy additional charges including processing fee and other costs and may also change the interest rates on such loans where restructuring is being sought under this Policy.
4. **Modes of resolution:** The resolution plans may be implemented by way of:
  - Rescheduling of payments upto a period of two years.
  - Moratorium upto six months.
5. **Implementation of Resolution Plan:** Upon discussion between the Company and the borrower, the resolution plan shall be deemed to be implemented if the following conditions are fully satisfied:

- 5.1. All related documentation, including execution of necessary agreements between the Company and the borrower and collaterals provided, if any, are completed by the Company in consonance with the resolution plan being implemented;
- 5.2. The changes in the terms of conditions of the loans to duly reflect in the relevant books of the Company; and,
- 5.3. The borrower is not in default with the Company as per the revised terms.

## 6. **Asset classification:**

- 6.1. Upon implementation of Resolution Plan as per Resolution Framework 2.0, asset classification of borrowers' accounts to be classified as Standard.
  - 6.2. Borrowers' accounts which may have slipped into NPA between invocation and implementation, to be upgraded as Standard, as on the date of implementation of the Resolution Plan.
  - 6.3. The subsequent asset classification for such exposures 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 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms").
  - 6.4. In respect of borrowers where the resolution process has been invoked, additional finance may be sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower.
  - 6.5. Additional facility may be classified as 'Standard' till implementation of the plan regardless of the actual performance of the borrower in the interim.
  - 6.6. However, if the resolution plan 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 such additional finance or performance of the rest of the credit facilities, whichever is worse.
7. **Provisioning and Reversal of provisions:** On implementation of Resolution Plan, provisioning will be done in accordance with the regulatory requirements thereof. As the Company is required to prepare its books or accounts in accordance with the Indian Accounting Standards (IND AS), the provisioning therein shall in be in accordance thereto and for regulatory reporting to RBI the same will be in accordance with the RBI Guidelines thereof as provided under the Resolution Framework 2.0.

The reversal of provisions as created above to be done in line with the regulatory requirements.

## 8. **Convergence of the norms for loans resolved previously**

- 8.1. In cases of loans of borrowers mentioned above where Resolution Plan was implemented in terms of the Resolution Framework – 1.0, and where the Resolution Plan had permitted no

moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than 2 years, such Resolution Plans can be modified only to the extent of increasing the period of moratorium / extension of residual tenor upto maximum 2 years, and the consequent changes necessary in the terms of the loan for implementing such extension.

The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be 2 years.

- 8.2. This modification shall be within the timelines specified in Clause 2 of Part D of this policy.
- 8.3. For loans where modifications are implemented in line with Clause 8.1 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.
9. **Breach of Conditions:** Any Resolution Plan implemented in breach of the Resolution Framework 2.0 shall be fully governed by the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 issued by the Reserve Bank of India.
10. **Disclosures and Credit Reporting:**
  - 10.1. The Company shall make the relevant disclosures in its annual financial statements, along with other prescribed disclosures.
  - 10.2. All the borrowers where Resolution Plan is implemented under Part D of this policy shall reflect the “restructured due to COVID-19” status of the account. 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.

## Part E

Part E lays down measures for Working capital support for small businesses where resolution plans were implemented previously.

1. Eligible Borrowers: Borrowers belonging to following categories where Resolution Plan had been implemented in terms of the Resolution Framework – 1.0:
  - a. Individuals who have availed of loans and advances for business purposes, and have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.
  - b. Small businesses, including those engaged in retail and wholesale trade, except MSME as on March 31, 2021, and have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.

Since under Resolution Framework 1.0, no Resolution Plan had been implemented on working capital loans, there are no Eligible Borrowers of the Company. Hence, this section is not applicable.

## Part F

Part F is applicable for restructuring of advances to the MSME borrowers.

1. In line with MSME COVID Restructuring 2.0, restructuring of existing loans of MSME borrowers may be done without a downgrade in the asset classification subject to the following conditions:
  - (i) The borrower should be MSME as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
  - (ii) The borrowing entity is GST-registered on the date of implementation of the restructuring. This condition will not apply to MSMEs exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.
  - (iii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed Rs.50 crore as on March 31, 2021.
  - (iv) The borrower's account was a 'standard asset' as on March 31, 2021.
  - (v) The borrower's account was not restructured in terms of MSME COVID Restructuring 1.0; 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) or Resolution Framework 1.0.
  - (vi) The restructuring to be invoked by September 30, 2021.
2. Cut-off date and invocation: Restructuring cannot be invoked later than 30<sup>th</sup> September 2021 and must be implemented within 90 days from the date of invocation.

Duly complete application request received for restructuring under this scheme up to 31st August 2021 to be considered. Any application received thereafter may not be considered.

The date of invocation shall be the date when the Company 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 any complete application received from the borrower must be communicated in writing to such applicant within 30 days of receipt of such application.

3. If the borrower applicant 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.
4. Provisioning: Upon implementation, provision of 10% of the residual debt of the borrower to be kept.
5. All other instructions specified in the MSME COVID Restructuring 1.0 shall remain applicable.
6. Asset classification: If restructuring plan implemented, asset classification of such borrower classified as 'Standard' may be retained as such. If the accounts has slipped into NPA category between April 1, 2021 and date of implementation, such account may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

7. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, the Company may, as a one-time measure, 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 this clause must be taken by 30<sup>th</sup> September, 2021.

The reassessed sanctioned limit / drawing power to be reviewed by the relevant stakeholders 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.

8. For this purpose, the impact of COVID-19 on the borrower should be assessed by the approving authority has to satisfy themselves that the requirement of restructuring under Part F is necessitated on account of the economic fallout from Covid-19.

Further, accounts provided relief under Part F will be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.

**Annexure III****Indicative list of documents to be obtained****A. For salaried customers:**

- (i). KYC documents of borrower/s, guarantors (Voter ID, Passport, Driving License, UID, PAN card etc.)
- (ii). Updated salary credit bank statement and EMI repayment bank statement of last 12 months.
- (iii). Latest 6 months' Salary Slip.
- (iv). Latest 2 years IT returns and Form 16 for latest year/ Form 26 AS for FY.20-21 and F.Y. 21-22 till date.
- (v). In case of Job Loss/ salary cut / deferment – Letter from employer about termination of employment / salary reduction/ deferment.
- (vi). Any other document as may be required to assess the impact of COVID-19 on such borrower.

**B. For other individual customers, other than salaried:**

- (i). KYC documents of borrower/s, guarantors (Voter ID, Passport, Driving License, UID, PAN card etc.)
- (ii). Main Business bank statement and EMI repayment bank statements for last 12 months.
- (iii). Latest 2 years IT returns and Form 16 for latest year/ Form 26 AS for FY.20-21 and F.Y. 21-22 till date.
- (iv). GST 1 returns for FY 2020 and FY 2021 - till date.
- (v). A declaration by self-employed professionals/ businessmen declaring that their business is affected by COVID-19.
- (vi). MSME certificate / Letter issued to the customer (if available).
- (vii). Any other document as may be required to assess the impact of COVID-19 on such borrower.

**C. For Corporate borrowers:**

- (i). Board Resolution (in case of Companies) stating that the Company's operations are under stress on account of Covid-19. In case of other applicants, an undertaking, that unit's operations are under stress on account of COVID-19.
- (ii). Application form for restructuring covering atleast (a) write up on reason for restructuring, (b) impact of COVID19 on the business, (c) plan for streamlining on reviving the business (d) comment on restructuring by other lenders to the borrower, facilities to be restructured, tenor of restructuring.
- (iv). Latest audited financials with complete annexures, notes to accounts, main audit report, Board's report, accounting policies and tax audit report.
- (v). Interim (provisional) financials till immediate previous month to the one in which application is made.
- (vi). Month wise no. of units (model wise) sold in period for which audited financials given and the period for which interim financials are given. (Applicable for borrowers having Commercial Finance Exposure with the Company).

- (vii). Month wise & model wise with selling price, number of units targeted to be sold from FY 2021 to the period for restructuring. (Applicable for borrowers having Commercial Finance Exposure with the Company).
- (viii). Detailed projected financials for next years for which restructuring is requested for 'or' for the remaining tenure in case of term loan.
- (ix). Details of changes in the management since last renewal (if any) and latest CA certified shareholding.
- (x). KYC documents of directors, shareholders & dealership.
- (xi). Copy of GST returns for the period for which interim provisional are submitted.
- (xii). Bank Statements of all Working Capital lenders for last 12 months.
- (xiii). Break up of Existing Secured/unsecured loans (a) Name of banks/financiers along with amount of facility/limits respectively (b) Sanction letters of these bankers/financiers.
- (xiv). CA certified turnover (if GST not applicable) from 1st April, 2020.
- (xv). Personal Guarantee of promoters.
- (xvi). Any other document as may be required to assess the impact of COVID-19 on such borrower.