

## CLIX CAPITAL SERVICES PVT. LTD.

# 'Policy on Resolution Framework 2.0 for Covid 19 related stress' (OTR 2.0)

Effective Date:	June 2021
Approval Date:	June 2021
Version No.	1.0
Approved By	Board of Directors

## Contents

1. Objective.....	3
2. Scope.....	3
3. Gist of RBI Circular dated 5 <sup>th</sup> May 2021 for resolution framework 2.0 .....	3
4. Resolution of advances to individuals and small businesses under Resolution Framework 2.0 .....	4
5. Resolution of Covid-19 related stress of MSMEs under MSME Restructuring 2.0 .....	6
6. Asset classification norms .....	8
7. Provision Policy .....	8
8. Convergence of the norms for loans resolved previously .....	8
9. Disclosures and Credit Reporting.....	9
10. Omnibus clause .....	9
11. System for redressing the grievance of borrowers:.....	10

## 1. Objective

Relief measures provided by the Reserve Bank of India (RBI) to the borrowers under the Resolution Framework for COVID-19-related Stress enabled the economy to bounce back. There was significant development and positive economic movement in Q4 FY21 after the shocks of first wave waned and deployment of the stress relief measures by banks and FI's. The resurgence of Covid-19 pandemic second wave in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. **As a measure to alleviate the potential stress the RBI has come with Resolution Framework 2.0**

The RBI has decided to provide a window to implement a resolution plan in respect of eligible Individual Borrowers and small businesses (both MSME and non-MSME) while classifying such exposures as Standard as on 31<sup>st</sup> Mar 2021, subject to certain other specified conditions. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

RBI has mandated lending institutions including NBFC is to formulate a Board approved policy pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19.

The policy should detail the eligibility parameters of borrowers that Clix will be willing to consider for resolution detailing the way evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case. The policy should also address the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window. Accordingly, the policy is formulated & placed before the Board for approval.

## 2. Scope

This policy applies to all products within Clix and its subsidiaries, including Joint Ventures (JVs), in which Clix Capital has a 50% or greater interest to self-originated accounts as well as accounts that are acquired (Direct Assignment etc.).

## 3. Gist of RBI Circular dated 5<sup>th</sup> May 2021 for resolution framework 2.0

RBI has issued following two circulars for

- RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 (For Individual and small businesses)
- RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 (For MSME's)

- Borrowers have been categorized under 3 broad category for eligibility norms:

Category	MSME	Personal Loan	Loan to individual for business purpose and Small businesses
<b>Account Status</b>	Standard as on 31 <sup>st</sup> Mar 21	Standard as on 31 <sup>st</sup> Mar 21	Standard as on 31 <sup>st</sup> Mar 21
<b>Exposure</b>	Aggregate exposure <= Rs 50 Cr as on 31 <sup>st</sup> Mar 21	NA	Aggregate exposure <= Rs 50 Cr as on 31 <sup>st</sup> Mar 21
<b>MSME Registered</b>	Mandatory	NA	NA (Customer not registered under MSME are only eligible)
<b>GST Registered</b>	Mandatory (If Applicable)	NA	NA
<b>Tenor extension</b>	No such clause	Not beyond 24 months including moratorium (if any)	Not beyond 24 months including moratorium (if any)
<b>Rephasement for terms provided in OTR 1.0</b>	Not Allowed	Allowed subject to overall tenor extension should not go beyond 24 months including moratorium (if any)	NA
<b>Invocation Date</b>	Not later than 30 <sup>th</sup> Sept 21	Not later than 30 <sup>th</sup> Sept 21	Not later than 30 <sup>th</sup> Sept 21
<b>Implementation date</b>	Within 90 days from the date of invocation	Within 90 days from the date of invocation	Within 90 days from the date of invocation

- Borrower must have been impacted by Covid 19 and must have a proper financial viability plan which will be assessed properly. No account shall be taken up for restructuring unless the financial viability is ascertained and there is a reasonable certainty of repayment from the borrower in future.
- Communication to customer on decisioning of restructuring is to be done within 30 days from the date of restructuring application.
- Specific norms in regards to evaluation and viability as per Clix's internal operating guidelines.
- Restructuring can be executed by reducing the monthly obligation led by a combination of, extended tenor and/or initial moratorium, rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility based on an assessment of income streams of the borrower, subject to a maximum of two years..

## 4. Resolution of advances to individuals and small businesses under Resolution Framework 2.0

### 4.1 Eligible Borrowers

- Individuals who have availed of personal loans (Loan to own personnel / staff shall be excluded)
- Individual borrowers who have availed loan for business purpose where all lending institutions have aggregate exposure of up to Rs. 50 Cr as on 31 March'21

- Small business, including wholesale and retail trade, excluding the ones classified as MSMEs as on 31st March 2021, with aggregate exposure of all lending institutions upto Rs. 50 Cr as on 31 March 21.
- Credit facilities to the borrower should be classified as Standard (all accounts of the borrower) as on 31 March 21.
- Borrower having credit exposure from other lending institution shall also be eligible for availing benefit, under the Resolution Framework 2.0, from the Company, subject to compliance with other eligibility criteria.
- In case of loans where resolution plans had been implemented in terms of the Resolution Framework 1.0, and where the resolution plans had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, the Company may modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor such that the total moratorium tenure/ extension of residual tenure granted under Resolution Framework 1.0 and Resolution Framework 2.0, does not exceed 2 years. No other change to such earlier restructured cases is allowed.
- Any other specific criteria for restructuring of any account, as prescribed under the applicable RBI guidelines/ circulars, issued from time to time, such specific criteria shall be fulfilled before restructuring is implemented.

#### **4.2 Not eligible Borrowers**

- All type of MSME borrowers
- Small businesses, including those engaged in retail / wholesale trade and individuals who have availed of loans and advances for business purposes and whose aggregate exposure is more than Rs. 50 crore as on March 31, 2021.
- All credit facilities which were classified as “Non-Standard’ as on March 31,2021
- Farm credit
- Loans to primary agricultural society etc.
- Exposures to financial service providers
- Exposure to Central or State Governments, Local Government bodies
- Borrower who have availed restructuring in terms of the Resolution Framework – 1.0 (subject to the special exemption mentioned in point 10 of this document – ‘Convergence of the norms for loans resolved previously’).
- Loan disbursement after 31 Mar 2021

#### **4.3 How resolution of stressed assets is to be carried out:**

- The financial parameter recommendation by K V Kamath Committee for 26 sectors, under circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters”, shall not be applicable for resolution under Resolution Framework 2.0.
- The resolution plans shall include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, granting of moratorium etc., based on assessment of income stream of the borrower.
- Moratorium period, and/or extension of the residual tenor of the loan facilities may be for a maximum of two years and shall come into force immediately upon implementation of the resolution plan.

- The Company shall invoke resolution process under the Restructuring 2.0 Notification after the review of the loan accounts, on or before September 30, 2021 (last date of invocation).
- The decision to invoke the resolution process shall be taken by the Company independent of invocation decisions taken by other LIs having exposure on the same borrower.
- The Company shall communicate the decision on applications received by the Company from their Borrowers for invoking restructuring within 30 days of receipt of such applications.
- Once customer approaches Clix with a request letter for Restructuring with certain documents, It will be evaluated and if satisfied with the merits of the case post doing viability study, then restructuring will be considered at the sole discretion of Clix.

Financial viability to be evaluated in each and every case to understand the impact of Covid-19 on borrower and overall revival basis Future cash flow and future debt repayment projections Assessment will be done basis multiple variables including but not limited to :

- Industry Outlook under High, Medium and Low risk (Assess impact and future outlook)
- Business Activity Level
- Banking Credits
- Internal customer segmentation under High/medium/Low risk assessing the impact.
- Bureau Checks
- Collection Feedback
- Collateral evaluation in Secured exposures (Where required)

#### 4.4 Implementation of Resolution Plan

- Resolution plan should be finalized and implemented within 90 days from the date of invocation
- The resolution plan shall be deemed to be implemented only if all the following conditions are met:
  - Date of receipt of application should be captured
  - All related documentation is completed by the lender and the borrower;
  - Changes in the terms of conditions of the loans get duly reflected in the books of the Company;

## 5. Resolution of Covid-19 related stress of MSMEs under MSME Restructuring 2.0

### 5.1 Eligible Borrowers

- Borrower is classified as MSME as on 31 March 21 in terms of MSME Ministry notification no. S.O. 2119(E) dated June 26, 2020.
- Borrower should be GST registered as on the date of implementation. However, GST registration shall not be mandatory for the exempted borrowers. For GST registration threshold calculation, turnover as on 31st March 2021 shall be considered.
- Aggregate exposure (fund and non-fund based) of banks and NBFCs as on 31 March 21 does not exceed Rs. 50 Cr.
- Account should be standard as on 31 March 21;
- Borrower should be mandatorily registered with “Udyam Registration Portal”

- Borrowers account should not have been previously restructured in terms of MSME Restructuring 1.0, circular no. RBI/2019-20/160.DOR.No.BP.BC. 34/21.04.048/2019-20 dated 11 February 2020 or circular no. RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 dated 1 January 2019.
- Any other specific criteria for restructuring of any account, as prescribed under the applicable RBI guidelines/ circulars, issued from time to time, such specific criteria shall be fulfilled before restructuring is implemented.

## 5.2 Not eligible borrower

- MSME Borrowers whose aggregate exposure, including non-fund based facilities, of banks and NBFCs exceeds ₹50 crore as on March 31, 2021.
- All types of Non-MSME Borrowers irrespective of exposure amount.
- The borrowing entity who are not GST-registered (Even though they are required to be GST registered as per norms and law)
- The borrower whose account is 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; DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars).
- Exposure towards Personal Loans.
- Cases, which has been restructured under OTR 1.0 under MSME.
- Farm credit
- Loans to primary agricultural society etc.
- Exposures to financial service providers
- Exposure to Central or State Governments, Local Government bodies

## 5.2 Viability & Evaluation Criteria

Financial viability to be evaluated in each and every case to understand the impact of Covid-19 on borrower and overall revival basis Future cash flow and future debt repayment projections Assessment will be done basis multiple variables including but not limited :

- Industry Outlook under High, Medium and Low risk (Assess impact and future outlook)
- Business Activity Level
- Banking Credits
- Internal customer segmentation under High/medium/Low risk assessing the impact.
- Bureau Checks
- Collection Feedback
- Collateral evaluation in Secured exposures (Where required)

## 5.3 Invocation and implementation:

- Restructuring of MSME accounts shall be invoked by 30 September' 21.
- Restructuring shall be treated as invoked when the Company and the borrower agree to proceed with the efforts towards finalizing a resolution plan to be implemented in respect of such borrower.
- Decision on application for restructuring should be intimated to the borrower within 30 days of receipt of request.

- Decision to invoke restructuring shall be taken by the lending institution independent of invocation decisions taken by other lending institutions.
- Restructuring shall be implemented within 90 days of invocation.
- In case the borrower does not already have Udyam Registration, the borrower needs to obtain the same before implementation of the resolution plan.

## 6. Asset classification norms

Classification of exposure to the borrower under this framework is applicable for existing loans and additional finance offered.

(A) Existing Credit Facility:

(B) If Resolution Plan is implemented – Standard classification be retained or upgraded to standard classification for accounts slipped into NPA post 1st April 2021

If Resolution Plan is not implemented – As per the actual performance of the borrower under IRAC from date of NPA

If Resolution Plan is implemented	Standard classification to be retained or upgraded to standard classification for accounts slipped into NPA post invocation.
If Resolution Plan is not implemented	As per the actual performance of the borrower under IRAC from date of NPA.

## 7. Provision Policy

<b>Provisioning for restructuring</b>	Higher of <ul style="list-style-type: none"> <li>• 10% of renegotiated exposure post implementation</li> <li>• Provisions as per IRAC norms immediately before implementation</li> </ul>
<b>Additional Provisions – Reversal</b>	<p><u>MSME &amp; Loans to Individuals and Small businesses :</u></p> <ul style="list-style-type: none"> <li>• Additional provisions can be reversed at the end of 1<sup>st</sup> year from date of 1<sup>st</sup> payment, subject to the account demonstrating satisfactory performance during the year.</li> </ul> <p><u>Personal loan :</u></p> <ul style="list-style-type: none"> <li>• 50% can be reversed once 20% of the residual debt is repaid. Rest 50% can be reversed once an additional 10% of the residual debt is repaid.</li> </ul>

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

- In cases, borrowers have already availed restructuring Resolution Framework 1.0 (Resolution Framework for COVID-19-related Stress on Personal Loans and Other exposure vide circular number DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6,



2020) and therefore are not eligible to restructure under current policy i.e. Resolution Framework – 2.

- However, such accounts will be eligible for rephasing provided the resolution plan earlier implemented had ‘no moratorium’ or ‘moratorium of less than two years’ and / or ‘extension of residual tenor by a period of less than two years’.
- Clix can modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor / rephasing of payment plan subject to the caps of 2 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
- In cases, borrowers have already availed restructuring under Resolution Framework 1.0 MSME’s circular, such cases will not be eligible for any rephasing as suggested by RBI wide its circulars.

## 9. Disclosures and Credit Reporting

- Quarterly statements (at minimum) in prescribed format X in Financial statements for Quarter ended Sep’2021 and Dec’2021.
- 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.
- Half Yearly disclosures in Format B commencing Sep 2021 till earlier of:
  - All exposures under RP fully extinguished
  - Completely slips into NPA
- Annual Disclosure mandatory
- The number of borrower accounts where modifications were sanctioned and implemented in terms of Point no. 10 – ‘Convergence of the norms for loans resolved previously’ above, and the aggregate exposure to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021
- Bureau Reporting: The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under this facility shall reflect the “restructured due to COVID 19” 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.

## 10. Omnibus clause

All extant & future master circulars/directions/guidelines/guidance notes issued by Reserve Bank of India (RBI) /National Housing Bank (NHB) from time to time would be the directing force for this document and will supercede the contents of this restructuring policy. In case of any conflict between these and this Policy, the former will prevail.

This includes the following circulars issued by the RBI / NHB:

Circular Ref. No.	Master Circular / Other Notifications	Dated
RBI/2021-22/32 DOR.STR.REC.12/21.04.048/ 2021-22	Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)	5-May-21
RBI/2021-22/31 DOR.STR.REC.11/21.04.048/ 2021-22	Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses	5-May-21
RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03. 10.136/2020-21	Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021	17-Feb-21
RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/ 2020-21	Resolution Framework for COVID-19-related Stress	6-Aug-20
RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/ 2020-21	Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances	6-Aug-20
RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048 /2019-20	COVID19 Regulatory Package - Asset Classification and Provisioning	17-Apr-20
RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048 /2019-20	Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances	11-Feb-20
RBI/2018-19/ 203 DBR.No.BP.BC.45/21.04.048 /2018-19	Prudential Framework for Resolution of Stressed Assets	7-Jun-19
RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048 /2018-19	Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances	1-Jan-19

## 11. System for redressing the grievance of borrowers:

Clix has set up a central Grievance Redressal Desk for Covid19 Stress relief. This desk will be responsible for handling and responding to queries/grievances of customers who request for resolution and / or are undergoing resolution under this Policy. Customers can reach out to us through link available on Clix Website or [hello@clix.capital](mailto:hello@clix.capital).