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Date:02.11.2020

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Note to Hon. Loan Committee

Subject : Policy on Restructuring of Loan Accounts due to COVID – 19 related stress

Ref:
- **i. Covid – 19 Regulatory measures approved vide Hon. Board of Directors meeting dtd. 04.04.2020 held on Zoom app and further relief to all the Borrowers vide Covid-19 regulatory measures approved in Hon. Board of Directors meeting dtd. 16.06.2020**
- **ii. Ho/Loan/CC/3/2020-21 dated 07.04.2020 and Ho/Loan/CC/10/2020-21 dated 18.05.2020**
- **iii. JSB/Loan/L/BOD/CC/25/2020-21 dated 22.06.2020**

The World Health Organization (WHO) has declared the recent outbreak of the novel corona virus disease (COVID-19) a pandemic indicating significant and ongoing person-to-person spread in multiple countries, with the uncertainty about the extent of spread and the likely impact on the global economy. Several confirmed cases have also been detected in India, which highlight the need of a co-ordinated strategy for handling the emerging situations for protecting the resilience of the Indian financial system.

Considering the above, RBI had come out with the Covid-19 Regulatory Package thereby providing moratorium on repayment of interest as well as principle amount of loan facilities from 1 March 2020 to 1 August 2020. Accordingly our Hon. BOD had approved the above concession to all the customers of the Bank across the Board (Ref. : Circulars and Notes referred above). Consequently the effect of this moratorium has been implemented in the FINCORE system and the process of communicating the revised EMI's to the borrowers is being done at the Branch level.

Further to the above RBI has vide its circular no. DOR.No.BP.BC/3/21.04.048/2020-21 dtd. August 6, 2020 informed that the economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, RBI has decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan / restructuring in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

Apart from the above RBI has also granted extension to the MSME Sector - Restructuring of Advances Scheme which was originally floated on 1 January 2019 vide its circular no. DOR.No.BP.BC/4/21.04.048/2020-21 dtd. August 6, 2020.

RBI has vide above both circulars also informed that all Banks shall ensure that the resolution under this facility is extended only to borrowers having stress on account of Covid19. Further, the Banks will be required to assess the viability of the resolution plan / restructuring, subject to the prudential boundaries laid out in the captioned circulars. Also all Banks shall put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan / restructuring in each case.

Considering the same we propose to offer these relief measures to all the eligible borrowers of our Bank based on the following two different policies :

1. Prudential Framework for Resolution of Stressed Assets
2. MSME Sector – Restructuring of Advances Scheme

The details of both the policies are placed before the Hon. BOD for discussion, deliberation, and approval please.

1. Prudential Framework for Resolution of Stressed Assets

Prudential Framework for Resolution of Stressed Assets guidelines were issued by RBI as per their circular dated June 7, 2019 for all Schedule Commercial Banks.

“Prudential Framework” involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to Standard, subject to the prescribed conditions.

Considering the impact of Covid-19, RBI has now come out with guidelines with reference to above “Prudential Framework” vide its circular no. DOR.No.BP.BC/3/21.04.048/2020-21 dtd. August 6, 2020 allowing all Banks to implement a resolution plan / restructuring in other words Restructuring of all eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

Based on the RBI circular we propose the following policy :

Policy Name : Jana Prudential Framework for Covid-19

<u>Eligibility</u> –

1. Borrower accounts which were classified as standard, but not in default for more than 30 days as on March 1, 2020 are eligible under the Scheme.
2. The eligible borrowers’ accounts should continue to be classified as Standard till the date of invocation of resolution under this framework. For this purpose, the date of invocation shall be the date on which both the borrower and Bank have agreed to proceed with a resolution plan / restructuring under this framework. However, the following category of borrower are not eligible for the Scheme –

Non-eligible Borrowers –

Sr. No.	Criteria for Non-eligibility
1.	MSME borrowers whose aggregate exposure to Banks collectively, is Rs. 25 crore or less as on March 1, 2020.*
2.	Farm credit.
3.	Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
4.	Exposures of Banks to financial service providers
5.	Exposures of Banks to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.
6.	Exposures of housing finance companies
7.	Credit facilities provided by Banks to their own personnel/staff.
8.	Willful defaulters and cases of frauds and malfeasance.

* Borrower's as referred in point no. 1 are not eligible under this scheme however they are eligible under the MSME Sector – Restructuring of Advances Scheme which has been subsequently set out in this policy.

The details basic structure of the Framework are given in four different parts as follows –

Part A – Resolution of Stress in Personal Loans

Part B – Resolution of Other Exposures
Part C – Asset classification and provisioning
Part D – Disclosures and Credit Reporting

Part A – Resolution of Stress in Personal Loans

Accounts covered under Part A	Personal Loans sanctioned to individual borrowers by Bank. Personal Loan means an include loans given to individuals 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.). Out of the above, consumer credit means loans given to individuals, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.). However, it excludes (a) education loans, (b) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), (c) loans given for investment in financial assets (shares, debentures, etc.), and (d) consumption loans given to farmers under KCC. For risk weighting purposes under the Capital Adequacy Framework, the extant regulatory guidelines will be applicable. The definition of the personal loans has been provided by RBI in their circular no. DBR.No.BP.BC.99/08.13.100/2017-18 January 04, 2018 on XBRL Returns – Harmonization of Banking Statistics. RBI has referred the circular while defining personal loans in their Prudential Framework guidelines which we propose to keep as it is.
Implementation Schedule	Resolution under this framework to be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation. It means that any concession that is to be granted to the borrower under the above policy needs to be sanctioned on or before December 31, 2020 and changes to be implemented including documentation, perfection of mortgage etc. within 90 days from the date of sanctioning of the concession OR on or before March 31, 2021 whichever is earlier. Concession as referred here has been defined in the next column.
Resolution/Concession that may be offered to the borrower	The resolution plan / restructuring may inter alia include 1. Rescheduling of payments means we can change the repayment schedule already agreed by providing ballooning type of repayment keeping the repayment period as it is. 2. Conversion of any interest accrued, or to be accrued, into another credit facility means granting time to repay unserved interest or interest that will be applied to the account in future by converting that amount into Funded Interest Term Loan. (In case of cash credit facility granted in the name of individual.) 3. Granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan / restructuring. It means that we can grant repayment holiday/moratorium of maximum two years to all eligible borrowers including partially repaid accounts also. This moratorium can be granted only after borrower submits proof of effect of Covid-19 Pandemic on his/her income or cash flow. Branches need to obtain

	documentary evidence of this effect on the income of the borrower. The detailed guidelines of the same are given in due diligence section of this policy.
Process of implementation of resolution plan / restructuring	The resolution plan / restructuring shall be deemed to be implemented only if all of the following conditions are met: a. all related documentation, including execution of necessary agreements between Banks and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan / restructuring being implemented; b. the changes in the terms of conditions of the loans get duly reflected in the books of the Banks; and, c. borrower is not in default with the Banks as per the revised terms.
Affect of breach of time lines	Any resolution plan / restructuring implemented in breach of the above stipulated time line shall be fully governed by the relevant instructions in respect of resolutions relating to stressed accounts as applicable to our Bank as the original guidelines of Prudential Framework are not applicable to our Bank. It means that if the resolution plan / restructuring is not sanctioned on or before December 31, 2020 or implementation of the resolution plan / restructuring is not done within 90 days from the date of sanctioning of resolution plan / restructuring then the guidelines relating to restructuring of advances will be applicable to that resolution plan / restructuring as communicated in master circular no. DCBR.BPD (PCB) MC No. 14/13.05.000/2015-16 dtd. 01.07.2015 on management of advances. In other words the loan facilities will be required to be downgraded.

Part B – Resolution of Other Exposures

Accounts covered under Part B	This part shall be applicable to all other eligible exposures of Bank not covered in Part A It mens that all accounts which are eligible for resolution including Corporates Credit Advance under this framework but are not covered under Part A will be eligible under this Part.
Implementation Schedule	Resolution under this framework to be invoked not later than December 31, 2020 and must be implemented within 180 days from the date of invocation. It means that any concession that is to be granted to the borrower under the above policy needs to be sanctioned on or before December 31, 2020 and changes to be implemented including documentation, perfection of mortgage etc. within 180 days from the date of sanctioning of the concession OR on or before June 30, 2021 whichever is earlier.. Concession as referred here has been defined in the next column.
Resolution/Concession that may be offered to the borrower	The resolution plan / restructuring (RP) may involve any action / plan / reorganization including, but not limited to, regularisation of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership and restructuring. The RP shall be clearly documented by the lenders concerned (even if there is no change in any terms and conditions).

	(Restructuring in this context means where a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrower. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of payment period / payable amount / the amount of installments / rate of interest; roll over of credit facilities; sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits.) The resolution plan / restructuring may also 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. Granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years. Correspondingly, the overall tenor of the loan may also get modified commensurately. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan / restructuring. It means that we can grant repayment holiday/moratorium of maximum two years to all eligible borrowers including partially repaid accounts also. This moratorium can be granted only after borrower submits proof of effect of Covid-19 Pandemic on his/her income or cash flow. Branches need to obtain documentary evidence of this effect on the income of the borrower. The detailed guidelines of the same are given in due diligence section of this policy.
Process of implementation of resolution plan / restructuring in case of Sole banking	The resolution plan / restructuring shall be deemed to be implemented only if all of the following conditions are met: a. all related documentation, including execution of necessary agreements between Banks and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan / restructuring being implemented; b. the changes in the terms of conditions of the loans get duly reflected in the books of the Banks; and, c. borrower is not in default with the Bank as per the revised terms. The decision regarding the request for resolution by the borrower may be taken by the Bank within the contours of this framework. For this purpose, the date of invocation shall be the date on which both the borrower and Bank have agreed to proceed with a resolution plan / restructuring under this framework.
Process of implementation of resolution plan / restructuring in case of Multiple/Consortium Banking	1. If there are multiple Banks with exposure to the borrower, the resolution process shall be treated as invoked in respect of any borrower if Banks representing 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 per cent of Banks by number agree to invoke the same. 2. In all cases involving multiple Banks, where the resolution process is invoked and consequently a resolution plan / restructuring has to be implemented, Inter Creditor Agreement (ICA) shall be required to be signed by all Banks within 30 days from the date of invocation. 3. Lenders to the borrower other than our Bank may also sign the Inter Creditor Agreement (ICA), if they so desire. If such lenders sign the Inter Creditor Agreement (ICA), they shall be fully bound by the stipulations of the Inter Creditor Agreement (ICA). 4. All disputes, if any, between signatories to the Inter Creditor Agreement (ICA) regarding the resolution process shall be settled as per the provisions of the Inter

	Creditor Agreement (ICA) and the Reserve Bank will not intermediate any such disputes. Banks shall ensure that the Inter Creditor Agreement (ICA) contains such a dispute redressal mechanism that clearly lays down the recourse available to a signatory to the Inter Creditor Agreement (ICA) who wants to raise a dispute. 5. As the resolution process requirements and the prudential treatment subsequent to the implementation are applied collectively to all lenders, including those to which the Prudential Framework is not applicable, the Inter Creditor Agreement (ICA) should provide for suitable mechanisms for information sharing amongst Banks during and after implementation of the resolution plan / restructuring. 6. The resolution plan / restructuring shall further provide that in accounts involving consortium or multiple banking arrangements, post implementation of the plan, all receipts by the borrower, all repayments by the borrower to the Banks, as well as all additional disbursements, if any, to the borrower by the Banks as part of the resolution plan / restructuring, shall be routed through an escrow account maintained with one of the Banks. 7. To ensure that the above operations are carried out smoothly, Banks shall enter into a formal agreement with the escrow manager detailing the duties and responsibilities of the escrow manager and the Banks, as well as the enforcement mechanism that will be contractually available to the escrow manager to ensure that Banks service their disbursement obligations on a timely basis.
Affect of breach of time lines	**In case of Sole Banking –** Any resolution plan / restructuring implemented in breach of the above stipulated time line shall be fully governed by the relevant instructions in respect of resolutions relating to stressed accounts as applicable to our Bank as the original guidelines of Prudential Framework are not applicable to our Bank. It means that if the resolution plan / restructuring is not sanctioned on or before December 31, 2020 or implementation of the resolution plan / restructuring is not done within 180 days from the date of sanctioning of resolution plan / restructuring then the guidelines relating to restructuring of advances will be applicable to that resolution plan / restructuring as communicated in master circular no. DCBR.BPD (PCB) MC No. 14/13.05.000/2015-16 dtd. 01.07.2015 on management of advances. In other words the loan facilities will be required to be downgraded. **In case of Multiple/Consortium Banking –** 1. In cases where the resolution process has been invoked but Banks representing not less than 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based) and not less than 60 per cent of Banks by number, do not sign the Inter Creditor Agreement (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 this framework. 2. If any of the above time lines are breached at any point, the resolution process ceases to apply immediately in respect of the borrower concerned. Any resolution plan / restructuring implemented in breach of the above stipulated time lines shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of Banks where the Prudential

	Framework is not applicable, as if the resolution process was never invoked under this framework.
Expert Committee	1. The Reserve Bank shall constitute a Committee which shall recommend a list of financial parameters which, in their opinion would be required to be factored into the assumptions that go into each resolution plan / restructuring, and the sector specific benchmark ranges for such parameters. The parameters shall inter alia cover aspects related to leverage, liquidity, debt serviceability etc. The Committee shall be called the Expert Committee. 2. The Expert Committee shall submit such list of financial parameters and the sector-specific desirable ranges for such parameters to the Reserve Bank, which, in turn, will notify the same, along with modifications, if any, within 30 days.
Permitted features of the resolution plan / restructuring	The revised assumptions that go into the plan shall, at the minimum, factor in the financial parameters decided by the Expert Committee and the ranges for such parameters, as notified by the Reserve Bank.
Other features	Resolution plan / restructuring in respect of accounts where the aggregate exposure of the Banks at the time of invocation of the resolution process is Rs. 100 crore and above, shall require an independent credit evaluation (ICE) by any one credit rating agency (CRA) authorized by the RBI under the Prudential Framework.

Part C – Asset classification and provisioning

Asset classification	1. Additional finance to borrowers in respect of whom the resolution plan / restructuring has been approved, if sanctioned even before implementation of the plan in order to meet the interim liquidity requirements of the borrower, 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. It means that if any additional finance is granted to the borrower whose account is restructured as a part of restructuring plan or before approving the restructuring plan to allow him to tide over liquidity requirements should be classified as Standard Asset based on the repayment received in that additional facility. 2. However, if the resolution plan / restructuring is not implemented within the stipulated time lines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever is worse. 3. If a resolution plan / restructuring is implemented in adherence to the provisions of this facility, 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.
Provisioning requirements	1. In respect of personal loans – where a resolution plan / restructuring is implemented under this scheme, the Bank shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the Bank post implementation (residual debt). 2. In other cases – where a resolution plan / restructuring is implemented under this facility, the Banks, which had signed the Inter Creditor Agreement (ICA)

	within 30 days of invocation, shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the total debt, including the debt securities issued in terms of clause 30, held by the Inter Creditor Agreement (ICA) signatories post-implementation of the plan (residual debt). 3. However, Banks which did not sign the Inter Creditor Agreement (ICA) within 30 days of invocation shall, immediately upon the expiry of 30 days, keep provisions of 20 per cent of the debt on their books as on this date (carrying debt), or the provisions required as per extant IRAC norms, whichever is higher. Even in cases where the invocation lapses on account of the thresholds for Inter Creditor Agreement (ICA) signing not being met, in terms of clause 18, such Banks which had earlier agreed for invocation but did not sign the Inter Creditor Agreement (ICA) shall also be required to hold 20 percent provisions on their carrying debt. 4. The additional provisions maintained, if any, by Banks in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 in respect of such borrowers, to the extent not already reversed, may be utilised for meeting the provision requirements in all cases under this facility. As per the above referred circular in respect of accounts in default but standard where asset classification benefit is extended, Banks shall make general provisions of not less than 10 per cent of the total outstanding of such accounts, to be phased over two quarters as under: (i) Quarter ended March 31, 2020 – not less than 5 per cent (ii) Quarter ending June 30, 2020 – not less than 5 per cent
Reversal of Provisions	1. In case of personal loans resolved under this facility, half 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 half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently. 2. In case of resolution of other exposures, the provisions maintained by the Inter Creditor Agreement (ICA) signatories may be reversed as prescribed in clause 44. However, in respect of the non-Inter Creditor Agreement (non-ICA) signatories while half of the provisions may be reversed upon repayment of 20 percent of the carrying debt, the other half may be reversed upon repayment of another 10 per cent of the carrying debt, subject to the required IRAC provisions being maintained.
Post implementation performance for Personal Loans	1. For personal loans, after implementation of the resolution plan / restructuring in terms of this scheme, 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 or other relevant instructions as applicable to specific category of Banks. In reference to the circular it can be noted that the asset classification and provisioning norms as applicable to other regular standard accounts will be applicable to these accounts.
Post implementation performance for other than Personal Loans	1. In respect of exposures other than personal loans, any default by the borrower with any of the signatories to the Inter Creditor Agreement (ICA) during the monitoring period shall trigger a Review Period of 30 days. *Monitoring period, for this purpose, is defined as the period starting from the date of implementation of the resolution plan / restructuring till the borrower pays 10*

	percent 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. 2. If the borrower is in default with any of the signatories to the Inter Creditor Agreement (ICA) at the end of the Review Period, the asset classification of the borrower with all Banks, including those who did not sign the Inter Creditor Agreement (ICA), shall be downgraded to NPA from the date of implementation of the resolution plan / restructuring or the date from which the borrower had been classified as NPA before implementation of the plan, whichever is earlier. 3. In all cases, further upgradation shall be subject to implementation of a fresh restructuring under the Prudential Framework, or the relevant instructions as applicable to specific category of Banks where the Prudential Framework is not applicable. 4. Upon completion of the monitoring period without being classified as NPA, the asset classification norms will revert to 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 Banks. 5. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for: (i) the provisioning requirements when any of the accounts, where a resolution plan / restructuring had been implemented, is subsequently classified as NPA.

Part D – Disclosures and Credit Reporting

Disclosures	Banks required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.
Credit Reporting	The credit reporting by the Banks in respect of borrowers where the resolution plan / restructuring is implemented under this facility shall reflect the “restructured” status of the account if the resolution plan / restructuring 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.

2. MSME Sector – Restructuring of Advances

RBI Circular Ref. : i. DOR.No.BP.BC/4/21.04.048/2020-21 dtd. August 6, 2020
ii. DOR.No.BP.BC.34/21.04.048/2019-20 dtd. February 11, 2020
iii. DBR.No.BP.BC.18/21.04.048/2018-19 dtd. January 1, 2019.
iv. DBR.No.BP.BC.100/21.04.048/2017-18 dtd. February 07, 2018
v. DBR.No.BP.BC.108/21.04.048/2017-18 dtd. June 6, 2018.

To support the viable MSME entities on account of the fallout of Covid19 and to align guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, RBI decided to extend the scheme permitted in terms of the RBI circular no. DOR.No.BP.BC.34/21.04.048/2019-20 dtd. February 11, 2020. Accordingly, existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification.

Policy Name : Jana MSME Restructuring Scheme

<table>
<tr>
<td>Accounts eligible under scheme</td>
<td>Eligible MSME* Borrowers –
<table>
<tr><td>Sr. No.</td><td>Criteria for Eligibility</td></tr>
<tr><td>1.</td><td>The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on March 1, 2020.</td></tr>
<tr><td>2.</td><td>The borrower’s account was a ‘standard asset’ as on March 1, 2020.</td></tr>
<tr><td>3.</td><td>The restructuring of the borrower account is implemented by March 31, 2021.</td></tr>
<tr><td>4.</td><td>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.</td></tr>
<tr><td>5.</td><td>Borrower entity having Udyog Aadhar Memorandum</td></tr>
</table>
* Branches to note that RBI has recently updated the definition of MSME as per Government decision. As per RBI circular No. RBI/ 2020-2021/ 10 – FIDD.MSME & NFS. BC. No. 3/06.02. 31/2020-21 dated 02.07.2020 it has notified the revised classification criteria for MSME w.e.f. 01.07.2020 as follows -
An enterprise shall be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely:
a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees
a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
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	a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees For further details branches can refer to the circular referred above.
Implementation Schedule	A restructuring would be treated as implemented if the following conditions are met: a. all related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities are completed by all lenders; and b. the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.
Asset classification	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 this circular.
Provisioning	For accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.
Post implementation performance	Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.
Disclosures and Reporting	Banks and NBFCs shall make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under these instructions as per the following format: No. of accounts restructured | Amount (₹ in million)

Due Diligence Process and Process flow : as per Annexures

We recommend to approve the above restructuring policy which is based on RBI guidelines and a comprehensive framework on the procedure of dealing with such applications received from the eligible customers. Process in each and every level is defined and powers of various authorities have been clearly laid down.

Based on the loan data as on 28.02.2020 downloaded from the FINCORE system, the following is the data of accounts eligible for restructuring under both the above schemes. Detailed accountwise list will be provided to the branches for their reference and branches will be instructed to contact each and every eligible borrower and would be asked to obtain a confirmation from them whether they would like to avail benefit under the above schemes and would be required to submit detailed proposal for restructuring in the formats circulated to them.

APPROXIMATE DATA ON ACCOUNTS ELIGIBLE FOR RESTRUCTURING

Sr. No.	Particulars	No. of A/c's	O/s Amount	O/s Amount
		28.02.2020	**28.02.2020**	**31.08.2020**
A	**Total Accounts as on 28.02.2020**	**17610**	**11,54,57,87,554.00**	
B	Less Ineligible Accounts -			
	1. NPA Accounts as on 28.02.2020	1702	1,67,16,64,534.00	
	2. Staff Loan accounts as on 28.02.2020 (GL Head 215216/217/218)	1119	53,79,24,561.00	

C	Accounts having overdue more than 30 days as on 28.02.2020	2041	2,21,52,04,716.00	
D	**Net Accounts Eligible for Restructuring**	**12748**	**7,12,09,93,743.00**	
E	Less Accounts not to be considered for restructuring			
	1. Standard FDCC (GL Head 170)	345	19,38,06,076.00	
	2. Standard FDTL (GL Head 177)	1864	40,16,08,865.00	
	3. Standard Gold Loans (GL Head 230/2230)	3343	30,65,41,117.00	
	4. Standard Loan against Life Insurance (GL Head 246)	12	6,72,287.67	
F	**Remaining Accounts Considered Eligible for Restructuring**	**7184**	**6,21,83,65,397.33**	**6,28,56,87,424.33**
G	Out of which total CC/OD where overdue cannot be determined	184	1,20,63,55,871.00	1,47,60,46,076.12
H	Term Loan Accounts eligible for restructuring	7000	5,01,20,09,526.33	4,80,96,41,348.21

On going through the above data it can be observed that approximately 7184 accounts are eligible for restructuring as per the policy framed amounting to Rs. 62856.87 lakhs of which 7000 are term loan accounts having an outstanding balance of Rs. 48096.41 lakhs. It is very difficult to exactly bifurcate these accounts into personal loans, non-personal loans and MSME accounts at Head Office level and the same would require in depth verification in the branch level.

A rough estimate if drawn points at 50% of the borrowers may apply for availing benefit under the schemes proposed to be floated which works out to Rs. 31428.44 lakhs of which term loans amounting to 24048.21 lakhs. And based on the provision requirement stipulated in the above schemes, provision @ 5% will be required to be made on all MSME accounts approved for restructuring and @ 10% on all personal loans approved for restructuring.

We therefore request you to provide your approval, suggestions and instructions in the matter.

Kanchan Ghate
O.S.D.

Jitendra Wani
Sub-Accountant

Ravindra Hirave
A.G.M. (Credit)

Anil Pradhan
D.G.M. (Credit)

Tukaram Naik
C.E.O. (Off)

Annexure 1

Due diligence to be followed by Branches

1. List of eligible borrowers under both the schemes will be sent to all the branches through CrPc Dept, HO.

2. Branch to verify each and every account and identify those accounts in the list who have already opted out of Covid-19 regulatory package (6 months moratorium scheme already circulated). Branch to exclude these accounts and make a separate list of the same and submit the list to CrPC Dept, HO.

3. After the above exercise, out of the remaining accounts, Branch should split these accounts into three sub-groups

i) List of eligible borrowers who have availed personal loans from our bank as per definition given in the scheme **Jana Prudential Framework for Covid-19** under Part A as on 01.03.2020 will be restructured under Jana Prudential Framework for Covid-19.

ii) List of MSME borrowers having total exposure below Rs. 25.00 Cr from all banks combined together as on 01.03.2020 will be restructured under Jana MSME Restructuring Scheme.

Iii) List of all remaining accounts. This list may contain all accounts of borrowers who are having exposure above Rs. 25.00 Cr from all banks combined together and all non-MSME borrowers having exposure below Rs. 25.00 Cr from all banks combined together as on 01.03.2020 will be restructured under Jana Prudential Framework for Covid-19.

4. Branch should contact the borrower and discuss with the borrower the present situation and confirm whether the borrower is in need of any relief due to Covid-19 pandemic effect.

5. If the borrower does not require any relief then exclude his name from the list and inform the name of such borrowers to CrPC Dept, HO.

6. If the borrower in need of relief due to Covid-19 pandemic effect then two scenarios may arise –

i) the borrower may be an individual having availed loans in personal name or

ii) borrower may a business unit.

7. In case the borrower is an individual, branch should contact the borrower and ascertain whether the borrower is actually financially affected and should obtain all the data as per format provided to the branch along with application in prescribed format including the nature of relief requested by the borrower permissible under the scheme along with documentary proof evidencing financial difficulties caused to the borrower. The illustrative List of documents that can be obtained is -

a. Copy of Salary slip before COVID -19 pandemic start (January 2020 & February 2020).

b. Copy of Salary slip after COVID -19 pandemic start (July 2020 & August 2020).

c. Salary account statement evidencing reduction in salary credit.

d. Form No. 16 for FY 19-20 if available.

e. Employer instructions/communication regarding reduction in salary if any which can be shared.

f. Change of employment status based on employer decision due to COVID -19 pandemic effect.

8. In case the borrower is a business unit, branch should contact the borrower, also make a personal visit to the unit and ascertain whether the borrower is actually financially affected and should obtain all the data as per format provided to the branch along with application in prescribed format including the nature of relief requested by the borrower permissible under the scheme along with documentary proof evidencing financial difficulties caused to the borrower. The illustrative List of documents that can be obtained is -

a. Audited financial statement for FY 2017-18, FY 2018-19 and Tentative financial statement for FY 2019-20 and current year month-wise, party-wise sales and purchase figures for FY 2020-21.

b. Monthly cash flow covering period for FY 2019-20 and FY 2020-21 in case of total sanctioned amount Rs. 100.00 Lakhs and above.

c. Statement of current accounts maintained with other Banks/Lead Bank for FY 2019-20 and FY 2020-21

d. Last six months stock statement along with age-wise list of debtors and creditors.

e. Latest CA certified Net worth statement of the borrower in case of total sanctioned amount Rs. 25.00 Lakhs and above.

f. Details of all liabilities of the enterprise, including CA certificate regarding statutory dues payments.

g. Nature of Stress faced by the Enterprise; and

h. Suggested remedial actions

i. Additional security if any that may be provided to cover the proposed additional facilities if any.

j. Techno-Economic Viability (TEV) report to be obtained in case of borrowers having total aggregate sanction amount Rs. 100.00 Lakhs and above.

9. Thereafter the branch should prepare detailed note for recommendation of the resolution plan / restructuring as per proforma attached with the scheme documents and submit the same to Head Office, CrPC Dept for sanction. In case of loan facilities having outstanding above Rs. 25.00 lakhs branches to submit copies of all the documents obtained from borrower for the processing.

10. The above process is to be completed for all eligible accounts maximum by 30.11.2020 and request of individual account holder should be forwarded within .

Annexure 2

Due diligence to be followed by CrPC Dept/ Head Office

I. Powers for handling proposals for resolution of stressed accounts

The powers for approving of resolution plan to the stressed borrower as per rules prescribed in the schemes will rest with the following Committees specially formed for the purpose -

Category	**Power for approving Resolution Plan / restructuring**	**Recommending Authority**	**Composition of Committee**	**Reporting of Sanctioned resolution plan / Restructuring**
All loans upto Rs.25.00 Lacs	Resolution Committee 1	Branch Manager	Concern Desk Officer + AGM (Credit) + DGM (Credit)	List of approved resolution plan / restructured accounts to be placed in the ensuing Hon. BOD Meeting through Hon. Loan Committee
All loans above Rs. 25.00 Lacs to Rs. 75.00 Lacs	Resolution Committee 2	Resolution Committee 1	AGM (Credit) + DGM (Credit) + CEO	
All loans above Rs. 75.00 Lacs to Rs. 500.00 Lacs	Hon. Loan Committee	Resolution Committee 2	--	
All loans above Rs.500.00 Lacs	Hon. Board of Directors	Hon. Loan Committee	--	--

II. Process at HO level

1. After receipt of proposals, they will be handled as follows :

i. In case of sole banking accounts -

the appropriate committee shall consider the resolution plan/restructuring as requested by the borrower and recommended by the branch subject to the permissible resolution available under the proposed schemes.

in case committee approves resolution plan / restructuring as per the recommendation of branch then it will convey sanction to the branch immediately so that branch can proceed further for documentation etc.

In case committee disagrees with the recommendation of branch then committee may call borrower along with branch officials for discussion. From the discussion if a viable solution through mutual agreement comes then same may be accepted if it fits within the framework of the proposed schemes.

If any viable solution is not visible then the committee may recommend to consider restructuring under regular restructuring guidelines or may recommend initiation of recovery process.

ii. In case of multiple / consortium banking accounts -

In case of application received in respect of multiple banking consortium accounts, in cases where our bank is the lead bank the committee should convene consortium meeting or meeting of all multiple bankers and should place the request for discussion and mutual agreeable decision of all the member banks.

If a viable decision comes out then the process of documentation may be initiated including formulation of Inter-Creditor Agreement (ICA).

In case our bank is a member bank then the request of the borrower may be forwarded to lead bank with a request for organizing consortium meeting / meeting of all multiple banks.

The time lines as given in the policy should be strictly adhered to.

2. Conditions Relating to Restructuring under the Framework :

i. Under this Framework, the restructuring package shall stipulate the time line during which certain viability milestones such as improvement in certain financial ratios after a period of 6 months may be achieved.

ii. The Committee shall periodically review the account for achievement / non-achievement of milestones and shall consider initiating suitable measures including recovery measures as deemed appropriate.

iii. Any restructuring under this Framework shall be completed within the specified time periods.

iv. The general principle of restructuring shall be that the stakeholders bear the first loss rather than the debt holders. The Committee may consider the following options, when a loan is restructured

a. Promoters infusing more equity into their companies;

b. Transfer of the promoters‟ holdings to a security trustee or an escrow arrangement till turnaround of enterprise to enable a change in management control, if lenders favour it.

3. Review :

i. In case the Committee decides that recovery action is to be initiated against an enterprise, such enterprise may request for a review of the decision by the Committee within a period of **ten working days** from the date of receipt of the decision of the Committee.

ii. The request for review shall be on the following grounds:

(a) a mistake or error apparent on the face of the record; or

(b) discovery of new and relevant fact or information which could not be produced before the Committee earlier despite the exercise of due diligence by the enterprise.

iii. A review application shall be decided by the Committee within a period of thirty days from the date of filing and if as a consequence of such review, the Committee decides to pursue a fresh corrective action plan, it may do so.

4. Powers to modify the guidelines :

Hon. BOD is authorised to approve any modifications in the existing provisions or to incorporate any fresh provisions under the present policy document

5. Documentation :

all the necessary documentation in case of approval of resolution plan / restructuring will be done as per the guidance of panel legal advisor / panel advocate of our bank including modification of mortgage and branch documentation.

6. Proforma application format :

i. Application to be received from the borrower is attached herewith in case of business units in two different formats

a. Application format for borrower having total exposure upto Rs. 10.00 Lakhs.

b. Application format for borrower having total exposure above Rs. 10.00 Lakhs

ii. In case of personal loans the proforma application is being prepared and will be circulated among the branches.