

# **THE SIRSI URBN SAHAKARI BANK LIMITED, SIRSI**

## **Resolution Framework 2.0**

### **Resolution of COVID-19 stress for Individuals and Small Businesses**

#### **(other than MSME)**

(Resolved in the Board Meeting held on May 31, 2021 under Resolution No. 23)

#### **Preamble:**

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic have impacted the recovery process and created new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI, vide its notification no. DOR.STR.REC.11/21.04.048/2021-22 dated 05.05.2021 issued necessary guidelines under Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses (other than MSME). These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications. The terms and conditions, eligibility criteria for availing the benefits under Resolution framework 2.0 is detailed as hereunder. The policy on resolution framework 2.0 shall be discussed in three parts, namely, Part-A, Part-B and Part-C. PART-A of this circular pertains to requirements specific to '**resolution of advances to individuals and small businesses**' and PART-B pertains to **working capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously**. PART-C lists the **disclosure requirements for the lending institutions** with respect to the resolution plans implemented under this window.

#### **:PART-A:**

#### **Resolution of advances to individuals and small businesses**

#### **Eligibility Criteria and Applicable requirements**

1. The credit facility / investment exposure to the borrower shall be standard as at 31.03.2021.

The following borrowers (standard as on 31.03.2021) shall be eligible for resolution plan under the Framework 2.0

- a. Individual (Personal) Loans: The Resolution Framework 2.0 is applicable to Individuals who have availed personal Loans (as defined in the Circular

DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics") from the Bank.

Personal loans refer to loans given to individuals and may 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.).

**Consumer credit** refers to the 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, 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.).

The Resolution Framework 2.0 is not applicable to loans against fixed deposits and credit facilities sanctioned by the Bank to its own staff / personnel. The above list of personal loans is illustrative and may include such other credit facilities which are in the nature of personal loans (other than those specifically excluded by RBI under this category, such as business loans, staff loans, deposit loans, etc).

- b. Individual Loans for business purposes: Individuals who have availed loans and advances for business purposes and to whom the lending institutions have **aggregate exposure** of not more than Rs. 25 crore as on March 31, 2021.
- c. Small Business Loans: Small businesses, including those engaged in retail and wholesale trade, other than those classified as Micro, Small and Medium enterprises as on March 31, 2021, and to whom the lending institutions have **aggregate exposure** of not more than Rs. 25 Crore as on March 31, 2021.
- d. Loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping, sericulture and loans given to farmer households. (As per Sl. No 2 of RBI FAQ on Resolution Framework dated 12.12.2020)
- e. The general condition of eligibility for resolution under this framework include those borrowers, which are having stress on account of Covid19 and were

classified as standard, as at 31.03.2021. The restructuring facility is to be given only in deserving cases, which is subject to review by the regulating authority at the later stage.

### **Exposure not eligible under Resolution Framework 2.0**

- i. MSME borrowers (MSME borrowers up to Rs 25.00 Crores are covered under Resolution Framework 2.0 issued by RBI vide notification DOR.STR.REC.12/21.04.048/2021-22 dated 05.05.2021).
- ii. All the farm credit exposures of all lending institutions, including NBFCs, of the nature listed in Paragraph 6.1 of Master Direction of RBI FIDD.CO.Plan.1/04.09.01/201617 dated July 7, 2016 (as updated).  
However, loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping, sericulture and loans given to farmer households are eligible under the Framework.
- iii. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- iv. Exposures of Banks to financial service providers.
- v. 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.
- vi. Borrowers who have availed any resolution in terms of the Resolution Framework 1.0. However, extension of moratorium, residual tenor and re assessment of Working Capital cycle can be permitted under this Framework.
- vii. Accounts which are not standard as at 31.03.2021

### **Identification of Stress**

1. Individual (Personal) Loans: In case of personal loans, identification of stress shall be based on the self-declaration (submitted by the borrower).
2. Individual Loans for Business Purposes and Small Business Loans other than MSME (irrespective of constitution): The due diligence / the process for identification of stress shall be followed by branches to establish the necessity of implementing a resolution plan in respect of Individual Loans to business purposes and small business loans (other than MSME).

### **Indicative list of Stress faced by the borrowers (to be declared by the borrower in his request application form for restructuring his loan facility with the bank):**

- Outstanding balance in cash credit account remaining continuously at the maximum
- Inability to maintain stipulated margin on continuous basis
- Failed to make timely payment of instalments of principal and interest on term loans
- Decline in production
- Decline in sales and fall in profits
- Overdue receivables / bad debts
- Increase in level of inventories
- Failed to pay statutory liabilities
- Delay in meeting commitments towards payments of instalments due, crystallized liabilities under LC/BGs etc

**Suggested remedial measures (to be submitted by the borrower in his requisition) along with the estimated time frame to justify the action plan**

- Re-schedulement of instalments
- Capitalisation of interest
- Fresh and / or additional working capital / working capital term loan
- Other remedial measures

The applicant borrower shall have to furnish the information as required in **Annexure -A** to the lending institution for due appraisal of their application for restructuring their loan facilities along with the indicative list of the documents as follows:

- a. Last two years balance sheets (wherever applicable as per Statutory requirements / Banks instructions) of the units along with income tax/GST return etc.
- b. Projected balance sheets for two years in case of working capital limits and for the period of the loan in case of term loan.
- c. Sales achieved during the current financial year **up** to the date of submission of application/Provisional Balance sheet as at Previous year end.
- d. Asset & Liability statement of Proprietor/ Partners/ Directors.
- e. If funds proposed to be infused by borrower, please specify Sources.
- f. Detailed Particulars of securities primary/collateral proposed, if any, for additional loan facility
- g. Details of all liabilities of the enterprise, including the liabilities owed to the State or Central Government and unsecured creditors, if any.
- h. Supporting details for the suggested remedial measures with the estimated time frame by the Enterprise to justify the action plan /solution.

### **Invocation of Resolution Plan**

- a. Resolution under this framework (2.0) shall be provided only to the borrowers having stress on account of Covid-19.
- b. Resolution under this Framework (2.0) shall be invoked not later than 30.09.2021 and resolution Plan shall be finalized and implemented within 90 days from the date of invocation of the resolution process (i.e., not later than December 29, 2021).
- c. Date on which, letter from the borrower along with the declaration in the Format as set out in Annexure I requesting restructuring is received at the Bank will be treated as date of invocation of restructuring under this Policy.
- d. In respect of applications received from the borrowers for invoking resolution process under this window, the assessment of eligibility for resolution as per the guidelines of the Framework 2.0 shall be completed, and the decision on the application shall be communicated in writing to the applicant by the Bank within 30 days of receipt of such applications.
- e. The date of such communication by the Bank to the borrower agreeing to the Resolution Plan shall be treated as the date of invocation.
- f. The Bank can take decision to invoke the resolution process under this window independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- g. Relief and resolution by way restructuring under this policy shall be based on "opt in" by the borrower that is to say; the reliefs under this policy will be available only upon borrowers specific request and upon submission of suitable declaration that his income and cash flows are under strain due to COVID related stress.
- h. The aggrieved borrower shall have to submit his grievance to the concerned grievance officer / department of the bank, which shall be promptly attended and appropriately redressed as per the Customer Grievance Redressal Policy of the bank.

### **Conditions of implementation of Resolution Plan**

The resolution plan 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 Bank and borrower are completed and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being

implemented; b. The changes in the terms of conditions of the loans get duly reflected in the books of the Bank; and,

c. Borrower is not in default with the Bank as per the revised terms.

The borrowers applying for restructuring their existing loan facilities should specify the nature of stress which they are facing in their businesses and the suggested remedial measures with estimated time frame to resolve such stress. The lending institution shall have to evaluate the information provided by the borrower and envisage an effective plan of action for resolution of the individual and business stress of their borrower-customers.

### **Features of Resolution Plan of the bank under Resolution Framework - 2.0**

1. **Individual (Personal) Loans:** The resolution plans may consists of the following:

Rescheduling payments of instalments/EMIs of loans,

Conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years from the date of implementation of resolution plan.

The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted with/without moratorium. In such cases, the overall cap on extension of residual tenor inclusive of moratorium period shall be maximum of two years.

2. **Individual Loans for Business Purposes and Small Business Loans other than MSME (irrespective of constitution):**

The following scenarios shall be followed:-

- a) **Borrowers enjoying Term Loan:**

Bank may allow extension of the residual tenor of the loan, with or without moratorium, by a period not more than two years. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan under this framework 2.0. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be maximum of two years. Bank may also exercise option to reschedule repayment of Principal/Interest. With all the steps, repayment period can be extended up to a maximum of 2 years only. Fresh repayment schedule should to be generated in case of all term Loans

where Resolution Plan is implemented under this framework 2.0 as per the revised terms and conditions of restructuring of the loans.

- b) **Borrowers enjoying Working capital limits** (cash credit and overdraft facility): The resolution plan 2.0 in respect of working capital loans may, inter alia, include conversion of any interest accrued, or to be accrued, in to another credit facility (FITL), revision in working capital sanctions, reduction in margin of stock & Book debts.
- c) Bank may consider **need based additional working capital funding** in the form of cash credit or overdraft facility between the date of Invocation and Implementation. The additional finance requirements may be assessed based on guidelines issued by RBI with respect of assessment of working capital financing for the banks and other lending institutions and the loan rules and policies of the bank. This facility of additional finance may be classified as 'standard' till implementation of the plan regardless of the actual performance of the borrower in the interim period. 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.
3. Compromise settlements are not covered under this Framework 2.0.
  4. Resolution plan implemented should be viable and backed by future income/ cash flow of the borrower. Bank shall peruse & satisfy about viability of the Resolution Plan.
  5. Convergence of the norms for loans resolved previously: In case of borrowers where resolution plan had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plan had availed no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, it is now permitted to modify the moratorium and extension of residual tenor up to a period of two years only. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be maximum of two years. However, the same can be permitted to accounts which are fulfilling the criteria under Resolution Framework 2.0.
  6. The instructions contained in the 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 to resolution plans implemented under this window (Resolution Framework 2.0).

### **Asset classification and Provisioning:**

1. **Asset classification:** If a resolution plan is implemented in adherence to the provisions of this circular, 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 resolution plan. 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").
2. **Provisioning and reversal of such provisions:**
  - a. The lending institutions shall keep with effect from the date of implementation, a provision of 10 percent of the renegotiated debt exposure post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.
  - b. 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.
  - c. Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.
  - d. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA



**: PART-B :**

**Working capital support for individuals and small business enterprises (other than MSMEs) who have availed business loans and where resolution plans were implemented previously**

In respect of -

- (a) **individuals** who have availed of loans and advances for their business purposes and to whom the lending institutions have aggregate exposure of not more than Rs. 25.00 crores as on March 31,2021, and
- (b) **small businesses**, including those engaged in retail and wholesale trade, **other than those classified as MSME** as on March 31, 2021 and to whom the lending institutions have aggregate exposure of not more than Rs. 25.00 crores as on March 31,2021,

where resolution plans had been implemented in terms of the Resolution Framework – 1.0, lending institutions are permitted, **as a one-time measure**, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

The above measures shall be contingent on the lending institutions (the bank) satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.

**:PART -C:**

**Disclosure requirements for the lending institutions with respect to the resolution plans implemented**

- a. Lending institution (the bank) has to make necessary disclosures in their annual financial statement on restructuring of loan facilities of their borrowers under Resolution framework 2.0 in Format-X prescribed in Resolution Framework 2.0 for individuals and small businesses.

- b. In addition to the above, the resolution plans implemented in terms of Part A of this framework 2.0 should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.
- c. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 22 of Resolution Framework 2.0 (Convergence of the norms for loans resolved previously) and the aggregate exposure of the lending institution to such borrowers shall be disclosed in their annual financial statements.
- d. The credit reporting by the bank in respect of borrowers where the resolution plan is implemented under Part A of this policy (Resolution Framework 2.0) 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.

Sd/-

**Chief Executive Officer**

Sd/-

**President**

**ANNEXURES TO THE POLICY**

**SUBMISSION OF INFORMATION IN ANNEXURE – A**

**PART - I**

1.	Name of the borrower	
2.	Address	
3.	Constitution	
4.	Mobile No.	
5.	E. Mail address	
6.	Line of activity	
7.	PAN No.	

**PART-II – FINANCIAL PROJECTION**

**Actual performance of the business for two previous years, estimates for current year and projections for next two years to be provided for additional working capital facilities**

	Past Year-II (Actual)	Past Year-I (Actual)	Present Year (Estimate)	Next Year-I (Projection)	Next Year-II (Projection)
Net Sales					
Net Profit					
Capital (Net Worth of the Enterprise)					
Total borrowings from the bank					
Total borrowings from other lenders, if any					
Current Ratio					
Cash Accruals					

**PROFORMA OF THE REQUEST LETTER TO BE SUMMITTED BY THE BORROWER –**  
**ANNEXURE - B**

I/we hereby request for resolution under the Covid-19 relief package owing to impact on my/our financial condition as a result of the Pandemic. I have been impacted by the Covid-19 Pandemic as follows:-

- (i) Reduction in salary income
- (ii) Loss of Job / Termination by company or organization
- (iii) Inability to conduct business or provide services on account of complete or partial shutdown of unit or workplace
- (iv) Issues in conducting business operations on account of manpower, demand, supply chain, procurement, manufacturing, sales, collections, reschedulement or cancellation of orders, etc.
- (v) Other reason ( If any other reason other than the above mentioned, please specify)

We hereby declare that:

**A.** My/our loan account/s is/are standard as on 31-03-2021.

**B.** I/we have not completely availed the relief under RBI Resolution Frame work-01 or I/We have not availed the extended repayment period of two years with or without moratorium period of 24 months or less.

I/we request you for:

1. To defer my repayment by extending moratorium period of ..... months and allowing me to repay the instalments falling due on or after 31-03-2021 i.e. from 01-04-2021 ..... 2023. The re-schedulement may also include step up/step down repayment facility.

2. Conversion of any interest accrued or to be accrued on my/our existing loan account ..... into another account .....i.e. FITL.

3. Re-schedulement of my/our loan with/without moratorium period

4. Combination of all the above three options

5. Lending of additional credit facility to address the financial stress on account of Covid

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I/ we agree that interest shall continue to accrue on the outstanding portion of my term loan/Demand Loan during the moratorium period / In respect of loans sanctioned in the form of Overdraft OD, I/ we undertake that accrued interest to be recovered immediately after the completion of this period or sanction of Funded Interest Term loan (FITL) which is repayable in instalments or capitalization of interest. I/ We also undertake to provide any necessary information, data, documents etc. as may be required. The Bank has the liberty to disqualify me/us from receiving any credit facilities from the Bank in case it is proved that the declaration of my/our outside borrowings made above contain misrepresentation of facts. I/We hereby undertake to abide by the terms and conditions that the Bank may stipulate in sanction of this loan and inform Bank in the event of acquiring any other assets during the tenure of the advance. Details of Resolution plan along with requisite documents are enclosed.