

**KOKAN MERCANTILE CO-OPBANK LTD
HARBOUR CREST, MUMBAI 400010.**

**POLICY FOR RESTRUCTURING
OF LOANS UNDER
RESOLUTION FRAMEWORK
FOR COVID-19 PANDEMIC
APPROVED IN THE BOARD OF
DIRECTORS MEETING DATED
11TH SEPTEMBER, 2020**

With a view to giving relief to the loan borrowers who are affected due to Covid-19 pandemic, RBI has announced slew of measures including Restructuring of loans, the details of which are as follows:

Broad categories of loans for restructuring:

- a. Personal Loans
- b. Corporate persons (in other words, all commercial and business loans)
- c. Of item No b), loans to MSME sector
- d. Of item No b), all other retail loans which are not classified as MSME

All loans, CC & OD accounts under moratorium for six months from March 2020 to August 2020 given are also eligible for restructuring.

1. Resolution of Stress in Personal Loans:

Personal loans to all individual borrowers, including vehicle loans, housing loans, loans to salaried class, etc (except staff loans) can be covered in this category.

Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, but not in default for more than 30 days with our Bank as on March 1, 2020.

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 the Bank have agreed to proceed with a resolution plan under this framework.

Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 90 days from the date of invocation (31.03.2021). However, we should strive for early invocation.

The resolution plans may inter alia include rescheduling of payments, 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. 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.

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 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/system of the Bank ; and
- c) borrower is not in default with the lending institution as per the revised terms.

2. Corporate persons (in other words, all commercial and business loans)

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.

Accordingly, if any other borrower falling in other category (both priority and non priority sector) which stood at Standard Asset Category as on 01.03.2020 and without change in the ownership requires the need of restructuring the loan, branches may send those restructure credit proposals to AGM (Credit), H.O with necessary viability study, future cash flow generation to repay the loan, etc. The full fledged restructure resolution plan/proposal should be submitted to the Board for approval on case to case basis and the decision of the Board will be communicated to the borrower, detailing all the aspects of restructuring of individual loan.

The reference date for the outstanding amount of debt that may be considered for resolution shall be March 1, 2020.

Only those borrower accounts shall be eligible for resolution under this framework which were classified as standard, but not in default for more than 30 days with our Bank as on March 1, 2020. Further, the accounts should continue to remain standard till the date of invocation.

Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 180 days from the date of invocation. i.e., 30.06.2021.

3. MSME LOANS:

In view of the continued need to support the viable MSME entities on account of the fallout of Covid19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, it has been decided to extend the scheme as permitted by RBI. Accordingly, existing

loans to MSMEs classified as 'standard' may **be restructured without a downgrade in the asset classification**, subject to the following conditions:

- The aggregate exposure, including non-fund based facilities to the borrower does not exceed Rs 25 crore as on March 1, 2020.
- The borrower's account was a 'standard asset' as on March 1, 2020
- **The restructuring of the borrower account is implemented by March 31, 2021.**
- 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.
- 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.
- As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.

4. All other retail loans which are not classified as MSME

This includes all other retail and other loans which are not covered under MSME including unsecured loans. Whatever said in Point No 2 is applicable to these loans.

5. Asset classification and provisioning:

Additional finance to borrowers in respect of whom the resolution plan has been invoked, 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.

If a resolution plan 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.

In respect of personal loans where a resolution plan is implemented under this facility, 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 lending institution post implementation (residual debt).

The additional provisions maintained, if any, by the Bank in terms of HO L&A Cir No 06/2020 dt 27.05.2020 (RBI 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.

Any additional provisions maintained wherever applicable, may be reversed at the time of invocation of the resolution plan under this facility. However, if the plan is not implemented within 180 days from invocation, provisions as per the Prudential Framework shall be required to be maintained, as if a resolution process was never invoked under this window.

6. Reversal of Provisions:

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.

For personal loans, after implementation of the resolution plan in terms of this facility, the subsequent asset classification will be governed by the criteria laid out in the RBI 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 Bank.

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 had been implemented, is subsequently classified as NPA; as well as, (ii) the additional provisioning requirements on account of Paragraph 17 of the Prudential Framework (as per the table furnished herein below), as and when the Prudential Framework becomes applicable in respect of the particular account.

Where a viable **Resolution Plan (RP)** in respect of a borrower is not implemented within the timelines given below, all lenders shall make additional provisions as under:

Timeline for implementation of viable RP	Additional provisions to be made as a % of total outstanding, if RP not implemented within the timeline
180 days from the end of Review Period	20%
365 days from the commencement of Review Period	15% (i.e. total additional provisioning of 35%)

7. Post Implementation Performance:

For personal loans, after implementation of the resolution plan in terms of this facility, 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 lending institutions.

In respect of exposures other than personal loans, any default by the borrower 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 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.

If the borrower is in default at the end of the Review Period, the asset classification of the borrower shall be downgraded to NPA from the date of implementation of the resolution plan or the date from which the borrower had been classified as NPA before implementation of the plan, whichever is earlier.

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

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.

8. Disclosures and Credit Reporting:

Bank, while publishing quarterly statements shall, at the minimum, make disclosures as per the format prescribed in Format-A (enclosed to this circular) in their financial statements for the quarters ending March 31, 2021, June 30, 2021 and September 30, 2021. Bank shall also make disclosures in the format prescribed in Format-B (enclosed to this circular) every half-year, i.e., in the financial statements as on September 30 and March 31, starting from the half-year ending September 30, 2021 till all exposures on which resolution plan was implemented are either fully extinguished or completely slips into NPA, whichever is earlier.

Bank is required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

The credit reporting by the Bank in respect of borrowers where the resolution plan is implemented under this facility shall reflect the "restructured" 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. **In other words, no further restructuring will be allowed after exercising this Restructuring under Covid-19 pandemic.**

H.O Credit dept to act on the following:

- **Credit dept at H.O should send the list of borrowers (separate list for MSME whose accounts were standard as on 01.03.2020 with overdues upto 90 days and all other loans including corporate/commercial & business loans and all other retail loans whose accounts were standard category with SMA-0 category) to all the branches.**
- **Branches to contact them personally or on telephone and send the list of borrowers willing for Resolution Plan Framework to H.O Loan dept on or before 30.09.2020**
- **Application format with scrutiny forms and documentation should be kept ready and sent to the branches by the Legal dept, H.O. as per the list of borrowers who are willing for Resolution Plan Framework on or before 30.09.2020.**
- **H.O Loan dept to obtain the requests for restructuring of Resolution Plan including getting the approval of the Board and the entire process should be completed on or before 31.12.2020.**
- **Implementation of this Resolution Plan should be completed by 31.03.2021 for all MSME loans and 30.06.2021 for all other loans.**
- **H.O Loan dept should ensure that no eligible borrower be left out and give scope for subsequent complaints or subsequent requests for resolution application.**

All concerned are advised to follow the above instructions strictly without fail.

**SADANAND K NAYAK
CHIEF EXECUTIVE OFFICER**

HON CHAIRMAN

Format A

Format for disclosures to be made in the quarters ending March 31, 2021, June 30, 2021 and September 30, 2021

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal loans					
Corporate Persons @					
Of which, MSMEs					
Others					
Total					

@ As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016
 “**corporate person**” means a company as defined in clause (20) of section 2 of the Companies Act, 2013, a limited liability partnership, as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008, or any other person incorporated with limited liability under any law for the time being in force but shall not include any financial service provider

Format B

Format for disclosures to be made half yearly starting September 30, 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal loans					
Corporate Persons @					
Of which, MSMEs					
Others					
Total					

@ As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016
 “**corporate person**” means a company as defined in clause (20) of section 2 of the Companies Act, 2013, a limited liability partnership, as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008, or any other person incorporated with limited liability under any law for the time being in force but shall not include any financial service provider;