

BARCLAYS INVESTMENTS & LOANS (INDIA) PVT. LTD. [BILIPL]

POLICY ON RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS

I] **POLICY BACKGROUND:** This policy is pursuant to the requirements of the 6th August, 2020 RBI Circular on 'Resolution Framework for COVID-19 related Stress' followed up with the version 2.0 dated May 5, 2021 and further on June 4, 2021, enhancing the limits from INR 25 crores to 50 crores for individuals who have availed loans and advances for business purposes, for small businesses (including those engaged in retail and wholesale trade) and for MSME accounts. While the instant framework provides a limited one-time window for resolution of assets facing covid-triggered/related stress and is majorly self-sufficient, relevant portions of RBI's 7th June, 2019 circular on Prudential Framework for Resolution of Stressed Assets and RBI's 1st July, 2015 Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances may be referred to wherever applicable (esp. mandatory ICA norms, other conditions pertaining to normal implementation of a resolution plan, valuation of debt-converted equity/securities, etc.).

II] **SCOPE OF THIS POLICY:** Resolution under this framework is applicable to –

- ✓ Corporate & Personal Loans that are Standard as on 31st March, 2021 and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.
- ✓ Above accounts/borrowers, where cause of stress is clearly established as being triggered by COVID-19 related circumstances
- ✓ Above eligible corporate borrowers under existing promoters (viz. without 'change of ownership')

Provisions of this policy will apply where BILIPL is undertaking a bilateral resolution or leading a resolution under the instant framework. The decision to invoke the resolution process under this window shall be taken by BILIPL, independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

III] **OBJECTIVE CRITERIA FOR ESTABLISHING NEED FOR RESOLUTION UNDER THIS POLICY:**

BILIPL will examine, evaluate and establish the need/eligibility of a borrower for resolution under RBI's "Resolution Framework for COVID-19 related Stress" policy on a case-to-case basis, as and when borrowers formally approach BILIPL for one-time restructuring/resolution along with details of financial performance for FY 19-20, FY 20-21 (audited or unaudited). BILIPL Credit Forum will determine the final decision.

IV] **PERMITTED FEATURES OF THE RESOLUTION PLAN:**

The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.

The moratorium period, if granted, may be for a maximum of two years, and 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 to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0.

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.

PERMITTED FEATURES OF THE RESOLUTION PLAN SPECIFIC TO MSMEs

Restructuring of advances to the MSME borrowers permitted without further downgrade in the asset classification subject to the following conditions:

- (i) The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.
- (ii) The borrowing entity is GST-registered on the date of implementation of the restructuring. 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 31, 2021.
- (iii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹50 crore as on March 31, 2021.
- (iv) The borrower’s account was a ‘standard asset’ as on March 31, 2021.
- (v) The borrower’s account was not restructured in terms of 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; or DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 (collectively referred to as MSME restructuring circulars).
- (vi) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when BIL IPL and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by BIL IPL from its customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- (vii) The restructuring of the borrower account is implemented within 90 days from the date of invocation.
- (viii) If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
- (ix) Upon implementation of the restructuring plan, BIL IPL shall keep provision of 10 percent of the residual debt of the borrower.
- (x) In respect of restructuring plans implemented as above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan.
- (xi) In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, BIL IPL may, as a one-time measure, review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by BIL IPL by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by BIL IPL at least on a half yearly basis and the renewal / reassessment at least on an annual

basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

- ✓ BIL IPL to clearly establish financial viability of the Resolution Plan proposed for all eligible borrower . ***Borrower's compliance in meeting the key ratios must be monitored as financial covenants, periodically as well as during credit reviews. Breaches, if any, to be rectified within a reasonable period (as per terms of sanction), failing which the borrower to be treated as being in financial difficulty.***

V] STIPULATED TIMELINES & IMPLICATIONS OF NON-CONFORMANCE THEREOF:

A. Date of Invocation (DOI) of Resolution:

- ✓ Date on which BIL IPL and eligible Borrower agree to invoke resolution
- ✓ In respect of applications received by BIL IPL from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place shall be completed, and the decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such applications
- ✓ DOI in either case has to be latest by 30th September 2021, failing which resolution under this framework cannot be invoked

B. Implementation of Resolution Plan:

- ✓ To be implemented within 90days from the DOI
 - ✓ The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.
 - ✓ Proposed Resolution Plan shall be deemed to be implemented only if all of the following conditions are met –
 - i) All related documentation (incl. addl. security perfection) is completed by all lenders in terms of the resolution plan being implemented;
 - ii) Changed terms of loans/facilities is reflected in the books of both lenders & borrowers
 - iii) Borrower is not in default with any of the lenders as per the revised terms/resolution
- (All conditions of normal implementation would be as per the provisions of RBI's 7th June, 2019 circular)

The Resolution process under the instant policy would cease to apply on breach of any of the above stipulated times at any point. Any resolution pursued /continued thereafter would be governed by the provisions of RBI's 7th June, 2019 Circular.

VI] PRUDENTIAL TREATMENT:

A. Asset Classification: If the implementation of the resolution plan is within stipulated timelines (as per above) then -

- 1) Standard Assets is to be retained as 'Standard'
- 2) Assets that were Standard as on DOI, but slipped to NPA before the date of implementation, to be upgraded to 'Standard'
- 3) Additional/fresh finance sanctioned after DOI (towards liquidity easing), but prior to date of implementation, to be treated as 'Standard' till implementation date (even if the existing facilities had slipped to NPA during the period) and thereafter would be in conformance with borrower level treatment, as applicable.

B. Provisioning Requirement:

- 1) Where resolution plan is implemented within stipulated timelines) – higher of 10% of total residual debt or provision held as per extant IRAC immediately prior to implementation

The provisions held under the instant policy, to the extent not already reversed, can be used if – a. the borrower subsequently slips to NPA and/or b. provisions under RBI's Prudential Framework for Resolution of Stressed Assets issued on 7th June, 2019 is subsequently triggered

- C. **Reversal of Provision (Criteria/Circumstances):** Provided the borrower account doesn't slip to NPA -
- 1) 50% of provisions held as per above, can be written back on repayment of 20% of the residual debt in terms of the resolution plan and the balance 50% written-back on repayment of an additional 10%
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.

VII] DISCLOSURES AND CREDIT REPORTING:

BIL IPL shall publish quarterly statements, at the minimum, make disclosures as per the format prescribed in Format-A (as prescribed in RBI circular RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020) in their financial statements for the quarters ending March 31, 2021, June 30, 2021 and September 30, 2021 and also make disclosures in the format prescribed in Format-B (as prescribed in RBI circular RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020) 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.

BIL IPL shall publish only annual financial statements and shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

The credit reporting by BIL IPL 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.