

**RESOLUTION FRAMEWORK 2.0 FOR COVID-19 SECOND WAVE RELATED STRESS  
OF  
CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**



**Chaitanya**

## 1. Preface

The resurgence of COVID-19 pandemic in India in the recent weeks (alternately referred as COVID-19 Second Wave) and the consequent containment measures to check the spread of the pandemic may impact loan recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, the RBI has announced “Resolution Framework 2.0” on 5<sup>th</sup> May, 2021. Under this, the RBI has decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible borrowers, while classifying such exposures as Standard, subject to specified conditions.

The resolution under this facility is extended to borrowers having stress on account of COVID-19 Second Wave. The borrower account(s) has to be Standard (IRAC) (i.e., Stage 1 or Stage 2 under IND-AS) as of 31<sup>st</sup> March, 2021. The Company will also assess the viability of each resolution plan before implementation.

## 2. Eligibility

**Eligible Borrowers:** The following categories of borrowers are eligible for this resolution framework: -

- A. Personal Loans (including Consumer Credit), both Microfinance and non-Microfinance
- B. Income Generation Microfinance Loans

Further definition of above categories are as follows

Type of Borrower	RBI Definition	Eligible Borrowers	CIFCPL
A.1. Personal Loans	Personal loans refer to 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.).	MFI: All consumption loans and top-up loans (including mid-term loans).  Non-MFI: All housing mortgage loans and two-wheeler loans	
A.2. Consumer Credit	Consumer credit refers to the loans given to individuals, which consists of (a) loans for consumer durables, (b) auto loans (other than loans for commercial use), (c) personal loans to professionals (excluding loans for business purposes), and (d) loans given for		

	other consumptions purposes (e.g., social ceremonies, etc.).	
B. Income Generation Loans which qualify as Microfinance	<p>Definition of microfinance loans shall be as per extant RBI guidelines.</p> <p>Microfinance Loans for income generation and which are not for agricultural activities will be eligible. It will include the following agri-allied activities: dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture.</p> <p><b>However, following end uses for agricultural activities shall not eligible: -</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Crop loans to farmers, which include traditional/non-traditional plantations and horticulture;</li> <li><input checked="" type="checkbox"/> Purchase of agricultural implements &amp; machinery, loans for irrigation and other developmental activities undertaken in the farm;</li> <li><input checked="" type="checkbox"/> Loans to farmers for pre- and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce;</li> <li><input checked="" type="checkbox"/> Loans to distressed farmers indebted to non-institutional lenders; and,</li> <li><input checked="" type="checkbox"/> Loans to small and marginal farmers for purchase of land for agricultural purposes.</li> </ul>	<p>MFI: All income generation loans.</p> <p>Non-MFI: Small Business loans</p> <p><b>Ineligible loans:</b> Since CIFCPL does not directly fund agriculture activities and farm credit, no loans should come under ineligible category. CIFCPL does fund loans to marginal farmers, agri-allied activities, and agricultural labours. However, these loans are allowed as per RBI norms (our loans to marginal farmers are generic – income generation or consumption, they are not explicitly for farm credit)</p>

**Ineligible Borrowers:** Employee loans are not eligible under this framework

### 3. Eligible Products List

- a. All Microfinance loans
- b. Two-wheeler loans other than employee loans
- c. Housing loans
- d. Small Business loans

#### 4. Eligibility criteria for Covid-19-related Stress

A borrower shall be eligible if she meets the following criteria: -

- ☑ Account should be classified as Standard (IRAC) or Stage-1 / Stage-2 (IND-AS) as of 31<sup>st</sup> March, 2021
- ☑ Borrower should not have availed any resolution in terms of Resolution Framework 1.0 \*\*
- ☑ **Borrower/household monthly income during April-21 to September-21 is less than the monthly income prior to April-21**

*\*\* This will not be applicable for Chaitanya since no borrower had sought relief from the Company under the Resolution Framework 1.0.*

#### 5. Resolution mechanism

- ❖ Eligible borrower has to apply to the nearest branch and fill out the necessary application form (Appendix-A). She can also apply by calling our Customer Grievance number (provided with the loan card); in such case, the borrower will have to subsequently submit the filled-up application form to concerned branch, either physically or electronically, within 15 days from the date of application.
- ❖ Resolution under this framework may be invoked not later than 30<sup>th</sup> September, 2021 and must be implemented within 90 days from the date of 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 2 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. the borrower accepts the terms of restructuring under this resolution
  - b. all related documentation is completed in consonance with the resolution plan being implemented;
  - c. the changes in the terms of conditions of the loans get duly reflected in the Company's books; and,
  - d. borrower is not in default as per the revised terms.

## **6. Approval Process**

- ❖ Detailed eligibility criterion for eligible customers shall be set by the Management, along with a detailed process note for execution by field operations team and support functions.
- ❖ Credit appraisal shall be done by Credit team. Loan approval shall be accorded by existing delegation matrix under credit process and will be governed by extant JLG product policy of the Company. Each proposal shall be evaluated on merits, along with recommendations from concerned Branch team.

## **7. Asset classification and provisioning**

- ❖ 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 borrowers where the resolution process has been invoked, the Company may sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. Any such additional finance 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.
- ❖ 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 the additional finance or the rest of the credit facilities, whichever is worse.
- ❖ Where a resolution plan is implemented under this facility, the Company shall keep provisions from the date of implementation, which are higher of (a) the provisions held as per the extant IND-AS norms immediately before implementation, or (b) 10% of the renegotiated debt exposure of the lending institution post implementation (residual debt).

## **8. Post-implementation performance and provisioning**

- ❖ Half of the above provisions may be written back upon the borrower paying at least 20% 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% of the residual debt without slipping into NPA subsequently. However, the provision amount at any point in time should not be lower than the extant IND-AS norms applicable for the loan asset.

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.

- ❖ 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 lending institutions.
- ❖ 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.

#### **9. Disclosures and Credit Reporting**

- ❖ The Company shall make quarterly disclosures as per the format prescribed in Format-X (As per RBI circular on Resolution Framework 2.0) in their financial statements for the quarters ending 30<sup>th</sup> September, 2021 and 31<sup>st</sup> December, 2021. The Company shall also make continuous disclosures required as per Format-B prescribed in the RBI Resolution Framework – 1.0 dt. August, 2020.
- ❖ The credit reporting in respect of borrowers where the resolution plan is implemented under this facility shall reflect the “Restructured due to COVID-19” status of the account. 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.

## Appendix-A Application Form for Resolution for Covid-19-related Stress

To,  
Chaitanya India Fin Credit Pvt. Ltd,

Dear Sir/ Madam,

### **Subject: One-Time restructuring request under Resolution Framework 2.0**

I/We hereby request you to restructure my following loan account/s under the guidelines issued by RBI for Resolution Framework 2.0 for COVID-19 related stress guidelines.

<b>Name:</b>	
<b>Full Address:</b>	
<b>Contact Number:</b>	
<b>Loan ID / Loan Account no.(s):</b>	
<b>Centre Name:</b>	
<b>Branch Name:</b>	
<b>Reason for Application:</b>	
<b>Period of Restructuring Loan:</b>	12 / 24 months
<b>Current Monthly Income:</b>	Income of self / household
<b>Monthly Income in March 2021:</b>	Income of self / household
<b>Ongoing loans from other lenders as on the date of application:</b>	
<b>Current Fixed monthly expenses:</b>	Self / household
<b>Fixed monthly expenses in March 2021:</b>	

I/We hereby also confirm that my/our employment and earnings has been impacted by the economic fallout from COVID 19 related stress, which has affected my ability to repay the loan in short term.

**Declaration:** I/ We declare that the information and data furnished by us to Chaitanya are true and correct. We undertake that:

- CIBIL and any other agency so authorised may use, process the said information and data disclosed by Chaitanya in the manner as deemed fit by them; and
- CIBIL and any other agency so authorised may furnish for consideration, the processed information and data disclosed or product there of prepared by them, to Bank/Financial

Institution and any other Credit Grantors or Registered Users, as may be specified by RBI in this behalf.

I/We hereby agree that:

- a) Chaitanya's decision will be final and binding.
- b) Chaitanya will charge a processing fee upto 1% of the restructured loan amount plus GST in case my/our request is approved by Chaitanya.
- c) Chaitanya will charge insurance premium, as applicable plus taxes, on the entire restructured loan amount in case my/our request is approved by Chaitanya.

I/We hereby agree to provide / execute all the documents and information as may be required by Chaitanya.

Yours Sincerely,

For \_\_\_\_\_

Applicant(s)