



ENABLING HOLISTIC DIGNIFIED LIVING

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FRAMEWORK POLICY FOR COVID-19 STRESS

VERSION 2.0

Version History			
Version	Amendments	Date	Meeting in which adopted
1.0	First release	04.09.2020	Board Meeting
2.0	Second release		Board Meeting

## ➤ INTRODUCTION

The Reserve Bank of India on 5<sup>th</sup> May 2021 to address the issues faced by customer due to COVID-19 has introduced Resolution Framework 2.0. According to this framework Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to certain conditions.

## ➤ ELIGIBILITY:

- 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”)<sup>1</sup>, excluding the credit facilities provided by lending institutions to their own personnel/staff.
- Individuals who have availed of **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.
- 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.
- Only those accounts who are classified **as standard as on 31<sup>st</sup> March 2021**.

## ➤ EXCLUSIONS

- Borrower **shall not belong to the categories listed in sub-clauses (a) to (e)** <sup>2</sup> of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020). The borrower accounts **should not have availed of any resolution in terms of the Resolution Framework - 1.0** subject to the special exemption mentioned at Clause 22<sup>3</sup> below.

Any Plan provided apart from measures specified shall fall under Prudential Framework for Resolution of Stressed Assets issued on June 7,2019 (“Prudential Framework”).

## IDENTIFICATION OF ACCOUNTS/ BORROWERS

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<sup>1</sup> Personal loans refer' s 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.).

<sup>2</sup> MSME, Farm Credit, Loans to Primary Agriculture Society, Exposure of Lending Institutions to State or Central Government, Exposures of Housing Finance Companies and Exposures of lending institutions to financial service providers

<sup>3</sup> Where Resolution was provided in 1.0 and Moratorium was provided for less than 2 years or no Moratorium was provided Lending Institutions can increase the period of moratorium / extension of residual tenor subject to max. cap of 2 years.

Resolution under this facility will be provided only to the borrowers having stress on account of Covid-19. These accounts will be identified by the Risk and Business teams after due assessment of impact on business and cash flows of borrower due to Covid-19.

### **COMMUNICATION**

This Company will appropriately communicate the process and details of the scheme to borrowers. The same will also be **sufficiently publicised and hosted on website** in easily accessible manner.

### **INVOCATION**

Invocation under this policy must happen by **30<sup>th</sup> September 2021**.

### **IMPLEMENTATION**

The resolution process under this window shall be considered as implemented from **the day the Company and the borrower agree to proceed** with a resolution plan.

Upon receipt of application decision regarding any resolution needs to be decided based on cash flow assessment and requirements of the borrower along with necessary RBI guidelines. In order to reduce the processing time, product-level standardized templates will be used.

The **customer needs to be communicated** regarding the same **within 30 days of receipt** of such application by the Company.

The Company shall have the authority to independently take decision regarding resolution under this scheme irrespective of the decision taken by other institutions.

#### ➤ **PERMITTED FEATURES OF RESOLUTION:**

**Resolutions that can be provided to any customer based on an assessment of income streams of the borrower:**

- Rescheduling of Payments
- Conversion of Interest accrued or to be accrued into another credit facility
- Revision of Working Capital
- Moratorium, maximum of 2 years.
- Extension of Tenor.
- Conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower.

Compromise Settlement is **not permitted** as Resolution under this Framework.

Extension of tenor and Moratorium can be provided however in no case can extension/moratorium or extension and moratorium together be of more than 2 years.

The Plan can be implemented upto 90 days from date of invocation of Resolution<sup>4</sup>.

Any resolution is considered as implemented only when all of the following conditions are met:

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<sup>4</sup> The date on which acceptance of Application is communicated

- a. all related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed for the resolution provided;
- b. the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
- c. borrower is not in default with the lending institution as per the revised terms.

➤ **GRIEVANCE REDRESSAL**

the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window.

Company has set up grievance redressal system approved by the board and as per the RBI guidelines. For the purpose of grievance redressal following information has been displayed at all of our branches, offices and website:

Grievance Redressal Officer: Mr. Jayesh Pramodrai Dave

Contact No.: 079-41057862

Email ID: grievanceredressal@lightmicrofinance.com

If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Office-in-charge of the Regional Office of DNBS, RBI New Delhi Phone 011-23714456

➤ **ASSET CLASSIFICATION AND PROVISIONING**

- All those accounts which were standard before implementation of any resolution shall continue to be standard
- All those accounts which had slipped to NPA during between invocation and implementation of plan will be upgraded to standard.
- After implementation of Resolution the normal existing norms of asset classification will continue to apply.
- During the completion of implementation process if any additional credit facility is provided such facility shall be treated as Standard till implementation of plan regardless of performance. However if the plan is not implemented within 90 days, normal rules will apply to this facility.
- All Lending Institutions 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)<sup>5</sup>.

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<sup>5</sup> Residual debt shall include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

- 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.
- 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.

Any borrower to whom any resolution has been provided under Framework 1.0 regarding moratorium of less than 2 years, a moratorium can be provided for period not exceeding 2 years.

➤ **IMPLEMENTATION AND REVIEW OF THE POLICY:**

The Executive Directors are authorized to approve any operational procedures as may be required to implement the policy and make any changes to the policy in line with the directions/guidelines issued by RBI from time to time with Board approval.

The policy shall be reviewed as and when considered necessary by the Board of Directors of the Company.

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