

Prudential Framework for Resolution of Stressed Assets on account of Covid19

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(“Resolution Framework – 2.0”)

Background

Due to the resurgence of Covid-19 pandemic in India and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI vide its circular no. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 05, 2021 has defined measures as ‘**Resolution Framework – 2.0**’ which are broadly in line with the contours of the **“Resolution Framework - 1.0”** under RBI circular no. RBI /2020-21/16 DOR. No. BP. BC / 3/21.04.048/2020-21 dated August 06, 2020 read with circular number RBI/2020-21/34 DOR. No. BP.BC/13/21.04.048/2020-21 dated September 07, 2020 (**“Resolution Framework – Financial Parameters”**) to enable the lenders to implement a resolution plan only to borrowers having stress on account of Covid19.

Applicability

- The framework shall be applicable to eligible borrowers as given under: –
 - a. Individuals who have availed of personal loans, excluding the credit facilities provided by the Company to their own personnel/staff
 - b. 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.50 crore as on March 31, 2021.
 - c. 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.50 crore as on March 31, 2021.
- Borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption to working capital support for small businesses where resolution plans were implemented previously in Resolution framework 1.0
- Credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.
- It is offered to the affected customers having good repayment track record and who are eligible basis criteria given under this policy.
- The assistance to the customers under Resolution plan is by deferring the interest payment and/or extending tenure of loan.
- The resolution plan is offered to eligible customers subject to acceptance & adherence of the terms and conditions/documentation governing the same.

Documents Required

Basis reason given by borrower, company may seek any of the following document(s)

If borrower is salaried

- Salary slips for the month of Feb 2020 and latest salary slip for last 2 months
Copy of intimation from employer organisation for salary reduction/deferment/job-separation as the case may be.
- Plan how the person will repay the dues at the end of restructuring period
- Bank account statements of the account where salary is credited in case of salaried employees from Feb 2020 to date

For other borrowers

- Current / CC account bank statement for 1st Oct 2019 till date of application under this framework.
- Income tax returns For FY-19 & FY-20
- Profit and loss statement / Balance sheet for the last 2 years
- Declaration by self-employed professionals/ businessmen declaring that their business is affected by Covid-19.

How to avail

Customers can avail the facility through mail to LAS.servicing@edelweissfin.com. The last date to apply for re-structuring would be 31st August, 2021.

Resolution of Stress in Personal loans to Individuals

- **Coverage**

Personal loans sanctioned to individual borrowers (first applicant)

Personal loans refers to 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”), The definition is extracted below for reference:

Personal loans refers 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.).

- **Eligibility** - Loan accounts classified as 'standard', as on March 31, 2021

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

- **Timeline** - Resolution under this framework may be invoked not later than September 30, 2021 and must be implemented within 90 days from the date of invocation of the resolution process under this window.
- **Nature of Restructuring** - The resolution plans may include rescheduling of payments, conversion of interest accrued / 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 (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.

- **Approval** – Restructuring to be approved as per applicable sanctioning authority matrix.

The resolution plan will be deemed to be implemented only after all the necessary documentation is completed, the revised terms are reflected in the books of the relevant Lenders.

Resolution of Stress in Business Loans to Individuals & Small businesses

- **Coverage**

- a. 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.50 crore as on March 31, 2021.
- b. 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.50 crore as on March 31, 2021

- **Eligibility** - loan accounts classified as 'standard', as on March 31, 2021

Further, the account 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 Company have agreed to proceed with a resolution plan under this framework.

The borrower has to be impacted financially by the COVID-19 pandemic in the form of reduction/ loss of income or cash flows.

Only those loan accounts which are on the Company's Loan book as on March 31st2021 will be eligible.

The reduction of income and its financial impact on the customer will be reviewed by the Company basis the documents / information provided which does show the drop in cash flow due to the COVID-19 impact.

The Company will assess the viability of the customer to pay the restructured dues basis the documents provided, before granting the restructuring. Apart from the viability calculations, the repayment track record of the customer, and the responses given by the customer while availing moratorium earlier will also be factored in the restructuring decision.

- **Timeline:** The Resolution under this framework may be invoked not later than September 30, 2021 and must be implemented within 90 days from the date of invocation of the resolution process under this window.
- **Nature of Restructuring:**
 - Where only one lending institution exposure to borrower: Resolution to be taken by said lending institution based on its Board approved policy

To be approved as per applicable sanctioning authority matrix and deemed to be implemented only after all the necessary documentation is completed, the revised terms are reflected in the books of the relevant Lenders and the borrower is not in default as per the revised terms.

- Where multiple lending institution having exposure to borrower, the invocation, resolution, implementation and default, if any, shall be as per the process mentioned in the Resolution Framework and will be governed by the ICA signed by all lenders.
- **Approval** – Restructuring to be approved as per applicable sanctioning authority matrix.

The resolution plan will be deemed to be implemented only after all the necessary documentation is completed, the revised terms are reflected in the books of the relevant Lenders.

Resolution of Stress to working capital support for small businesses where resolution plans were implemented previously

Resolution under this is available to individuals and small business as a one-time measure where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years.

Coverage:

- 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.50 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.50 crore as on March 31, 2021.

The Company should 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 the Company 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 resolution plan will be implemented once necessary documentation from the customer is completed and evaluated by the Company.

Assessment Parameters

The recommended list of financial parameters, as laid out in the Resolution Framework – Financial Parameters, inter alia covering aspects related to leverage, liquidity, debt serviceability etc., by a committee of RBI called “EXPERT COMMITTEE” will have to be factored into the resolution plan.

Asset classification and provisioning

The Asset classification & provisioning shall be as per the guidelines issued by RBI from time to time.

Credit Reporting

The credit reporting where the resolution plan is implemented shall reflect the “restructured due to COVID-19” 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.

Disclosures

- The Company shall make disclosures as per the format prescribed in their financial statements for the quarters ending September 30, 2021 and December 31, 2021.
- The resolution plans implemented under Resolution Framework 2.0 should also be included in the continuous disclosures required as per prescribed format in the Resolution Framework – 1.0.
- The number of borrower accounts where modifications were sanctioned and implemented where resolution plans were implemented previously and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

Others

A separate SOP would be implemented detailing process for assessing and granting relief, along with authorization matrix. Operations Committee is authorized to review and approve the said SOP, including changes / amendments therein.