

PERMISSION NOTE *TMVCL/BM/21.11.2020/TA/02*

From: E.V.P (Credit and Recovery)

Submitted to:
Board of Directors

Ref No : BOARD NOTE 03 / 2020
Date : 19.11.2020
Subject : Resolution Framework for Covid-19 related stress.

*Permission Note***I. Purpose of the Note**

To seek permission to put in place a Board approved policy detailing the manner in which evaluation may be done and the objective criteria that may be applied for the Resolution Framework for Covid-19 related stress as per RBI notification No.RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6,2020.

II. Background

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 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. Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers has provided a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

III. Features of the Resolution Framework for Covid-19 related stress.

The framework shall be applicable to eligible borrowers – corporate persons or otherwise – subject to the conditions specified in the frame work. For our Company, personal loans (Auto loans for non-commercial purpose, personal loans secured by gold jewellery, loans for consumer durables).

- Loans classified as standard but not in default for more than 30 days as on 01.03.2020
- The account should continue as standard asset till the date of invocation of resolution under this framework. i.e. the date on which the both the borrower and our Company have agreed to proceed with a resolution plan under the frame work.
- Resolution under the frame work may be invoked not later than 31.12.2020 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 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 lending institutions 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 of the lending institutions; and,
 - c. borrower is not in default with the lending institution as per the revised terms.
- Any resolution plan implemented in breach of the above stipulated timeline shall be fully governed by the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

IV. Asset Classification and Provisioning

Part C of RBI notification No.RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6,2020 deals with Asset Classification and Provisioning extensively. Hence, the points applicable to the accounts of our Company are given below.

- 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, the 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).
- The additional provisions maintained, if any, by lending institutions in terms of the 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.

V. 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 % of the residual debt without slipping to NPA post implementation of the plan and the remaining half may be written back upon the borrower paying another 10% of the loan residual debt without slipping to NPA subsequently.

VI. 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.

- 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: (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 and when the Prudential Framework becomes applicable in respect of the particular account.

VII. Disclosures and Credit Reporting

- Lending institutions 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 lending institutions 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.
- We have about 1.35 Lakh accounts which are to be scrutinised for eligibility. Considering the distribution of the accounts across the State and the profile of the customers, it will be an arduous task.

VIII. Recommendation.

On the basis of above guidelines of the RBI, Two wheeler Loans, Consumer loans and Gold loans for consumption purpose granted by our Company shall come under the purview of eligible category.

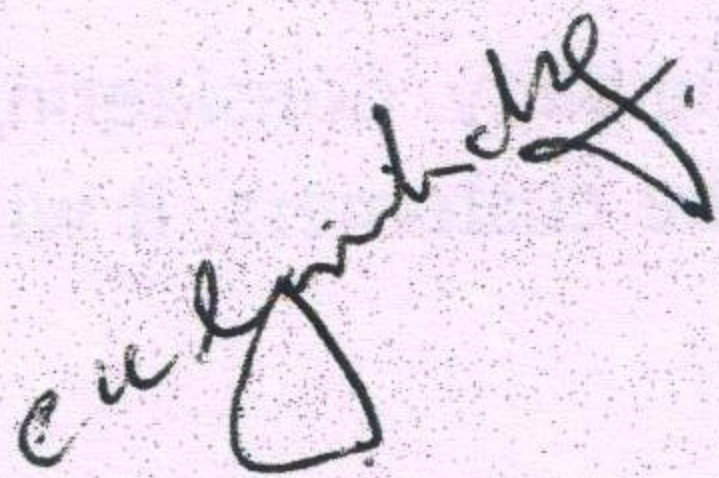
- The borrowers having stress on account of Covid 19 only shall be eligible for the resolution facility under these guidelines. The stress due to Covid 19 on the cash flow generation affecting prompt repayment of loan has to be substantiated on a case to case basis.
- Since no additional finance will be required for the type of loans in our Company, the resolution plan may be restricted to granting moratorium / rescheduling of instalments based on the assessment of income streams of the borrower. Correspondingly the tenor of the loan may get extended.
- The process including assessment of eligibility, getting the documentation and modifications in the system etc are to be done on a case to case basis.
- The timeline for invocation and implementation specified in the communication of the RBI should be adhered to.
- The cases identified for resolution strictly as per the eligibility criteria specified in the RBI guidelines should be recommended by the HOD concerned after due consideration

of aspects like rescheduling of instalments/moratorium period required to restart the repayments. Request for resolution should be obtained from the borrower and guarantor.

- A committee consisting of the CEO, EVP, VP (Risk) and the HOD concerned will evaluate the proposals and take appropriate decisions.
- This Office Note, if approved shall be construed as the policy on the subject.
- The approved policy for Resolution for Covid -19 Stress may be permitted to be posted on our web site with a notice to the borrowers to apply for the same if opted.

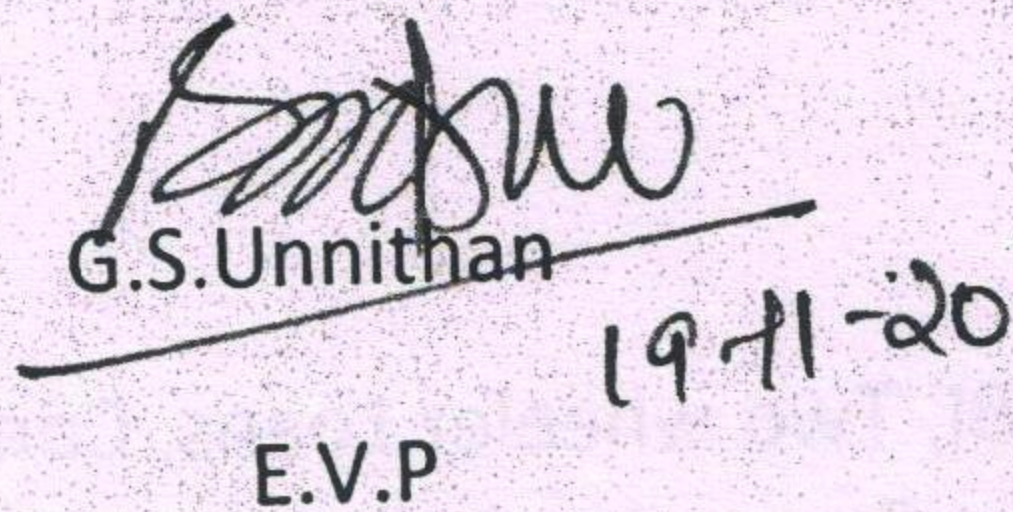
If our recommendations are accepted, a resolution on the following lines may please be passed.


"READ OFFICE NOTE NUMBER "BOARD NOTE 03 / 2020 DATED 19.11.20. RESOLVED THAT PERMISSION BE AND HEREBY GRANTED FOR ADOPTION AS PER PARA I OF THIS NOTE."



Girish C.K

V.P (Risk)


G.S. Unnithan
19-11-20
E.V.P


C.G. Nair
C.E.O

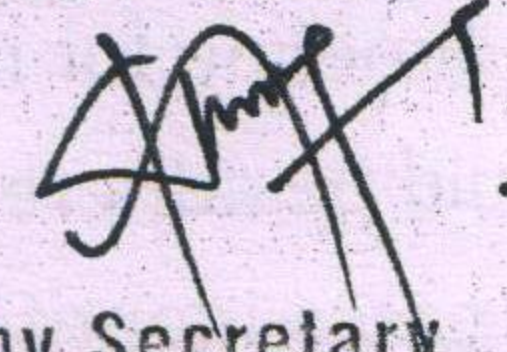
ORDERS OF THE BOARD

Resolved that the Board hereby permitted the same

 **MAXVALUE**
CREDITS & INVESTMENTS LTD.
APPROVED

21 NOV 2020

Sign:


Company Secretary