

Restructuring Policy for COVID-19 affected MSMEs (Resolution Framework 2.0)

In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, Reserve Bank of India ("RBI") vide its circular No. RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 05th May 2021 has permitted all the Commercial Banks, NBFCs and other lending institutions to extend the facility for restructuring existing loans without a downgrade in the asset classification.

This policy is adopted by the Board with the objective of ensuring compliance with the requirements set out by RBI wherein NBFC's are required to have a Board approved policy on resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs).

The restructuring of existing loans to MSMEs classified as 'standard' shall be governed by this policy. Further, the policy aims to provide relief, as granted by RBI through various notifications and circulars, to assets under stress due to COVID-19.

1. Definition

- a) 'Specified Period' means a period of 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 under the terms of restructuring package.
- b) 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

Explanatory note: The terms used in this policy, to the extent not defined herein, shall have the same meaning assigned to them in the RBI Guidelines.

2. Eligibility Criteria

YSBFB shall follow the below conditions for offering restructuring scheme to any of the Borrowers:

- a) The borrower should be classified as a micro, small or medium enterprise as on 31st March 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020. 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.
- b) The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the MSME borrower shall not exceed Rs 25 crore (Twenty Five Crore) as on 31st March 2021;
- c) The Borrower's account was a 'standard asset' as on 31st March 2021;

- d) 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 31st March 2021;

3. Implementation of the Scheme

- a) The restructuring of the borrower account shall be invoked by 30th September, 2021. For this purpose, the restructuring shall be treated as invoked when YSBFB 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 the YSBFB from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by YSBFB within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by YSBFB having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- b) The restructuring of the borrower account shall implemented within 90 days from the date of invocation.
- c) A restructuring would be treated as implemented if the following conditions are met:
- i) All related documentation, including execution of necessary agreements between YSBFB and borrower / creation of security charge / perfection of securities are completed; and
 - ii) The new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of the YSBFB and the borrower.

4. Asset Classification after Restructuring

The asset classification of loans restructured as per this policy shall continue to be classified as 'standard' without any downgrade in such classification.

5. Provisioning Requirements

- a) YSBFB will maintain additional provision of 10% of the outstanding loan amounts of the restructured accounts, over and above the provision already held by these restructured accounts as per this policy.
- b) YSBFB will, however, have the option of reversing such provisions at the end of the specified period, subject to the loan account, demonstrating satisfactory performance during the specified period.

6. Disclosure in Financial Statements

YSBFB shall make appropriate disclosures in the financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under this policy as per the following format:

No. of accounts restructured	Amount (in Lakhs)

7. Viability Assessment and Monitoring of Restructured Assets

YSBFB shall on regular basis monitor the financial health and viability of the Stressed Assets restructured under this policy. YSBFB for this purpose, will closely monitor the assets restructured through monthly review of the borrowers' financial and operational performance.

8. Accounts Already Restructured

In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, YSBFB 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 YSBFB by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the YSBFB 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