

TCFSL Risk
CONFIDENTIAL
FY 2021-22
Version 2.2

POLICY FOR
RESOLUTION FRAMEWORK 2.0 FOR COVID-19 RELATED-
STRESSED ASSETS/ADVANCES.

June 2021

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Background:The Reserve Bank of India (RBI) issued a circular on “**Prudential Framework for Resolution of Stressed Assets**” on 7th June, 2019 vide *DBR/No.BP.BC.45/21.04.048/2018-19*. Similarly RBI had issued guidelines for MSME restructuring of advances vide circulars *DBR.No.BP.BC.18/21.04.048/2018-19* dated 1st January, 2019 and *DOR.No.BP.BC.34/21.04.048/2019-20* dated 11th February, 2020.

In order to further support individuals/non-individuals who are facing financial stress on account of COVID-19 which has impacted their long term viability, the RBI has further issued a circular/guidelines “**Resolution Framework for COVID-19-related Stress**” vide *DOR.No.BP.BC/3/21.04.048/2020-21* dated 6th August, 2020 and “**Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances**” vide *DOR.No.BP.BC/4/21.04.048/2020-21* dated 6th August 2020

However, due to the resurgence of COVID-19 in India, the consequent containment measures may impact the recovery process and create new uncertainties. Hence, with the objective of alleviating the potential stress to borrowers, RBI has issued 2 circular/guidelines namely “**Resolution Framework 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses**” vide *DOR.STR.REC.11/21.04.048/2021-22* and “**Resolution Framework 2.0 - Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**” vide *DOR.STR.REC12/21.04.048/2021-22* dated 5th May, 2021.

Against the above backdrop the policy for Resolution Framework 2.0 for COVID-19 related Stressed Assets/Advances is being formulated for Tata Capital Financial Services Limited (“TCFSL”).

This Policy document is divided into three parts, **Part I** covering the guidelines issued under the “**Resolution Framework 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses**” , **Part II** covering “**Resolution Framework 2.0 - Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**”- and **Part III** providing window for Convergence norms for loans resolved previously under resolution framework 1.0

A Board approved policy on restructuring needs to be put in place, within a month from the date of the RBI circular (5th May, 2021). Additionally for restructuring of loans under the “**Resolution Framework 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses**” circular, the board approved policy shall be sufficiently publicised and shall be available on TCFSL website.

Resolution Framework 2.0 of COVID-19 related Stressed Assets.

Preamble:

- This Policy reflects TCFSL’s approach towards time bound resolution plan only to those borrowers/accounts having stress on account of COVID-19 pandemic.
- Overall Policy is in conformity with the RBI Framework Guidelines/Circular. Any changes/amendment/modifications done by RBI from time to time, will be made applicable to TCFSL post receipt of the approval from, the Managing Director (MD), the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO) of TCFSL. Also, at all times, TCFSL shall adhere to the directions issued by RBI under the said policy/ or any other relevant guidelines, if amended from time to time.

Applicability:

The said RBI circular/guidelines shall be applicable to borrowers, constituted as Individuals, non-individuals/business enterprises including Proprietorship, Partnership, Registered Company – Public & Private, Trusts, Limited Liability Partnerships (LLPs), and Societies (excluding all MSME registered entity) whose aggregate exposure to lending institutions collectively, is Rs.25 Crs or less as on 31st March, 2021). There are separate guidelines pertaining to restructuring of MSMEs loans/advance vide RBI circular *DOR.STR.REC.12/21.04.048/2021-22* dated 5th May, 21. (Whose aggregate exposure to lending institutions collectively, is Rs.25 Crs or less as on 31st March, 2021) which is covered in **Part II**.

Scope:

- **CFAB** – This policy shall be applicable to all borrowers who have availed **Personal Loan**, which is covered under **Part 1 - Section A**. However, any credit facilities sanctioned/disbursed by TCFSL to its own current employees or to employees of Tata Capital Limited (TCL) or other subsidiaries of TCL in form of Personal Loan, shall not be eligible for resolution under this framework.
All other CFAB products **except Personal Loan**, shall be covered under **Individuals who have availed loan and advances for business purposes and small businesses** i.e. under **Part 1 - Section – B**.
- **CSFD** – For CSFD, this policy shall be applicable to all borrowers across Large Corporate, Mid Corporate, Emerging Corporate, Supply Chain, Leasing, CEQ, and Equipment Finance and also includes AOR exposure through Trusts, which shall be covered under **Part 1 - Section – C**.

Objectives:

The broad objectives of this Policy are as follows:

- Eligibility Criteria, Type of Resolution to be adopted by TCFSL, Evaluation & Subjective Criteria, & Post implementation Performance, pertaining to **Stress in Personal Loans** are covered under **Part 1, Section – A**;
- Eligibility Criteria, Type of Resolution to be adopted by TCFSL, Evaluation & Subjective Criteria, Invocation date are covered under **Part 1, Section – B**. This section covers all **other CFAB products** excluding Personal Loan (**Part 1 – Section A**) and **Part 1- Section C** covering all **CSFD products**.
- Asset Classification, Provisioning, Reversal of Provisioning, Non eligibility & other key parameters & norms, like Disclosure & Credit reporting, tenor for restructured accounts etc. which would be applicable for Section A B& C are covered under **Part 1 - Section – D**.

Part I Section – A

Detailed Guidelines For Resolution of Stress of Personal Loans (PL):

Particulars	Parameters
Personal Loans	<p>The definition of Personal loans shall be applicable as per the RBI circular vide DBR.No.BP.BC.99/08.13.100/2017-18 dated 4th January, 2018, as amended from time to time.</p> <p>Personal Loan as defined in the above circular, shall include/considered for Consumer Credit*, education loan, loans given for creation/enhancement of immovable assets (e.g. housing, etc), investment in financial assets i.e. Shares, Debentures etc.</p> <p>*Consumer Credit is defined as loans given to individuals, which consists of loans for consumer durables, credit card receivables, Two Wheeler, auto loans (other than loans for commercial use), personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), personal loans to professionals (excluding loans for business purposes), and loans given for other consumptions purposes (e.g., social ceremonies, etc.). However, it excludes consumption loans given to farmers under KCC.</p>
Eligibility	<ul style="list-style-type: none">➤ Account should be Standard with TCFSL as of 31st March, 2021➤ Should not have been reported as fraud➤ Should not have been written off;
Exposure	Principal outstanding (due but not paid and future principal) and/or Interest due and/or overdue can be restructured.
Criteria/Due diligence to be adopted to analyse the COVID impact.	<p>Some of the due diligence criteria /documentation/process may be adopted/carried out are as follows:</p> <ul style="list-style-type: none">➤ Application from customer for invoking resolution process;➤ Latest bank statements/ income proof- as per credit discretion;➤ Personal discussion on select basis to be carried out;

	<ul style="list-style-type: none"> ➤ In-debtness/ earnings check. ➤ Credit Filtered criteria based qualified approach for Two-wheeler/ Consumer Durables. ➤ The borrower accounts should not have availed of any resolution in terms of the Resolution Framework 1.0 save and except for the borrowers covered under part III of this note. ➤ Should understand from borrower in case of job loss/pay cuts/ reduction in revenue, need of restructuring and returning to normalcy and the same to be recorded. ➤ In case of job loss, re-employment prospect to be checked; ➤ Evaluation wherever applicable considering various factors such as reinstatement of employment/ business income, alternate income, liquidity etc to be assessed and the same should be to the satisfaction. <p>The decision on the RP shall be communicated in writing to the borrower within 30 days of receipt of such application.</p> <p><u>Note – Above list is indicative and for illustration purposes. Other criteria or due diligence parameters may be considered from time to time on case to case basis or product basis.</u></p>
Other checks to be considered during evaluation/due diligence	<ul style="list-style-type: none"> ➤ Cheque bounce velocity; ➤ Deferrals/ PDDs status; ➤ Past track record with respect to payment/meeting of fixed obligations including TCFSL loan prior to COVID-19.
Resolution Plan (RP)	<p>At TCFSL level “Restructuring” shall be deemed to be referred as “RP” only for those viable borrowers/accounts impacted due to COVID-19.</p> <p>The types of restructuring that can be looked may include the following:</p> <ul style="list-style-type: none"> ➤ Payment Rescheduling/Step up EMI; ➤ Conversion of interest accrued/ to be accrued into another credit facility; ➤ Conversion of TL into OD (Hybrid / Drop line); ➤ Moratorium for maximum of 2 years save and except for the borrowers covered under part III of this note. ➤ Tenor adjustment (Max upto 2 years including Moratorium); ➤ Residual tenor can’t be extended by more than 2 years ; save and except for the borrowers covered under part III of this note. ➤ Additional funding; <p>Interest only payment for certain period. Based on stress in the accounts and/ or impact on ability to repay the account/borrower shall be recommended by Collections</p>
Additional Security	Additional security like looping of co-applicant (preferably spouse), any collateral etc. wherever required shall be explored for such accounts restructured under the scheme.
Invocation of RP	<p>Invocation date - As defined in the RBI circular vide DOR.STR.REC.11/21.04.048/2021-22 dated 5th May, 2021 i.e. latest by 30th September, 21.</p> <p>The Invocation date shall be the date on which, based on the application made by the Borrower, TCFSL conveys to the Borrower, that it is agreeable to proceed with the efforts towards finalizing the resolution plan to be implemented in respect of such borrower</p>
Approving Authority	

Resolution proposals to be approved as per the delegation matrix as defined below. Any deviation on the criteria as mentioned above in the policy i.e. (Due diligence, documentation, process & other checks) shall be approved/taken from the approving authority as defined below

The Delegation matrix (Approving Authority – Product wise) are as follows:

Personal Loan (PL) including UCL for individual usage	Two Wheeler (TW)	Consumer Durable (CD)
Up to Rs. 10 lakhs – Basic Credit Checks (BCC)* BCM/ACM	Up to Rs.1.5 lakhs – Basic Credit Checks (BCC)* BCM/ ACM	
Above Rs. 10 lakhs and Up to Rs. 25 lakhs - RCM/ NCM	Up to Rs. 3 lakhs - NCM	
> 25 Lakhs- CCO	> Rs. 3 lakhs - CCO	

***Basic Credit Checks (BCC) Process:**

For BCC cases/accounts within loan amount as defined in the above table, Data Science team to pre filter (to be refreshed on monthly basis), the customer based on the criteria as defined under the policy & share with the relevant team i.e. Credit, Sales/Product, Ops & Collections.

Whenever customer/borrower approaches for restructuring, the relevant team to check if the customer falls under the pre filtered list/BCC process. If yes, then the customer needs to self-declare certain information to assess his/her situation. Basis this customer provided information and the additional Credit criteria, either proposal can qualify or Credit team to assess the proposal further for restructuring.

For customer which are not falling under BCC norms/process as defined above, restructuring request to be processed manually and necessary documentation maybe collected from the customer for restructuring assessment.

Implementation of RP

TCFSL shall implement the RP i.e. Loan documentation, security creation, modification of charge etc. within 90 days from the date of invocation as defined above.

The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- 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;
- the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and,
- borrower is not in default with the lending institution as per the revised terms.

Note: Any subsequent amendments on the criteria as mentioned above i.e. (Due diligence, documentation, process & other checks) shall be approved by MD-TCFSL/CRO-TCFSL/CCO-Consumer Finance Jointly.

PART – I
Section – B

Detailed Guidelines for Resolution of Business loans, Loan against Property & Used Car Loans (All CFAB Products excluding Personal Loans)

Particulars	Parameters
Eligibility	<ul style="list-style-type: none"> ➤ Accounts should be “Standard” with TCFSL as of 31st March, 2021. ➤ Individuals who have availed loans and advances for business purposes and Small businesses , including those engaged in retail and wholesale trade, other than MSME whose aggregate exposure of all its lenders as on March 31, 2021 is not more than Rs.50 crore. ➤ Should not have been reported as fraud ➤ Should not have been written off; <p><u>Note: Facilities extended under the GECL (2, 3 and 4) scheme are not eligible for restructuring</u></p>
Exposure	Principal outstanding (due but not paid and future principal) and/or Interest due and/or overdue can be restructured.
Criteria/Due diligence to be adopted to analyse the COVID impact.	<p>Some of the process may be adopted by TCFSL for Products like Business loans (BL), LAP & Used Car Loans (UCL) are as follows:</p> <ul style="list-style-type: none"> ➤ The borrower accounts should not have availed of any resolution in terms of the Resolution Framework 1.0 ; save and except for the borrowers covered under part III of this note. ➤ Application from customer for invoking resolution process; ➤ To check whether borrower’s business is affected/impacted due to COVID-19 - Should understand from borrower about business impact/ reduction in revenue, need of restructuring and time to returning normalcy ➤ Indebtness/ earning check ➤ Latest bank statements/ income proof- as per credit discretion; ➤ Personal discussion/TVR on select basis to be carried out; ➤ In case of property based lending, if require property visit to be carried out by internal technical wherever available and any of the Credit Manager or Sales Manager or Collection Manager . ➤ In case of asset based lending (excluding property), asset verification to be carried out for cases/accounts more than ~Rs.15 lakhs. <p>Documents to be collected for BL/LAP & UCL products basis credit discretion are as follows:</p> <ul style="list-style-type: none"> ➤ Latest filed financials/audited financials if applicable; ➤ GST returns for last 6/12 months; ➤ Latest Bank statement & salary slip to be obtained in case of salaried; <p>However the Process for assessment pertaining to LAS product shall be carried out as per the normal credit assessment.</p> <p><u>Note – Above list is indicative and other criteria or due diligence parameters may be considered from time to time on case to case basis or product basis.</u></p>
Other checks to be considered during evaluation/due diligence	<ul style="list-style-type: none"> ➤ Cheque bounce velocity; ➤ Deferrals/ PDDs status; ➤ Past track record with respect to payment/meeting of fixed obligations including TCFSL loan prior to COVID-19. ➤ For LAP & UCL cases/accounts - Asset Verification/valuation to be carried out on case to case basis

<p>Viability Assessment</p>	<p>Some of the viability benchmarks to be tested selectively at the time of implementation of Resolution Plan (RP) are as follows:</p> <p>Viability Assessment adopted for BL & LAP products are as follows:</p> <ul style="list-style-type: none"> ➤ ABB to proposed EMI – 1 time; or ➤ If the sanctioned LTV in the existing exposure is => 70% then LTV re assessment is to be done – applicable for LAP. <p>Viability Assessment adopted for UCL product are as follows:</p> <ul style="list-style-type: none"> ➤ ABB to proposed EMI – 1 time; or ➤ LTV on revised valuation (as per IBB) to be considered, the same should not be more than 20% of the sanctioned LTV. <p>Viability Assessment adopted for LAS product to be carried out as per the existing credit policy.</p>
<p>Resolution Plan(RP)</p>	<p>At TCFSL level “Restructuring” shall be deemed to be referred as “RP” only for those viable borrowers/accounts impacted due to COVID-19.</p> <p>The types of restructuring that can be looked may include the following:</p> <ul style="list-style-type: none"> ➤ Payment Rescheduling/Step up EMI; ➤ Conversion of interest accrued/ to be accrued into another credit facility; ➤ Conversion of TL into OD (Hybrid / Drop line); ➤ Moratorium for maximum of 2 years; save and except for the borrowers covered under part III of this note. ➤ Tenor adjustment; ➤ Residual tenor can’t be extended by more than 2 years; save and except for the borrowers covered under part III of this note. ➤ Additional funding; ➤ Interest only payment for certain period. <p>Based on stress in the accounts and/ or impact on ability to repay the account/borrower shall be recommended by collections –*BCC Process: For BCC cases/accounts within loan amount as defined in the above table, BIU/analytics team to pre filter (to be refreshed on monthly basis), the customer based on the criteria as defined under the policy & share with the relevant team i.e. Credit, Sales/product, Ops & Collections. Whenever customer/borrower approaches for restructuring, the relevant team/Ops to check if the customer falls under BCC process. If yes, then the customer needs to self-declare certain information to assess his/her situation. Basis this customer provided information and the additional Credit criteria, either proposal can qualify or Credit team to assess the proposal further for restructuring. For customer which are not falling under BCC norms/process as defined above, restructuring request to be processed manually and necessary documentation maybe collected from the customer for restructuring assessment.</p>
<p>RP for borrowers who have availed assistance under GECL 1.0 and are eligible for restructuring as per RBI Guidelines dated 5th May, 2021.</p>	<ul style="list-style-type: none"> ➤ GECL loans in such cases would be allowed a repayment tenure of upto 5 years, i.e, period upto 24 months during which only interest shall be payable and the principal instalments shall be payable thereafter in 36 monthly instalments. ➤ Borrowers who avail of the restructuring under this framework shall be permitted to avail additional assistance upto 10% of their outstanding as on February 29, 2020, provided they have not availed additional assistance under GECL 3.0. They shall not be subsequently eligible for

	GECL 3.0, i.e. borrowers may either avail of this additional 10% or additional assistance under GECL 3.0, but not both.																
Additional Finance before Implementation	<ul style="list-style-type: none"> ➤ In respect of borrowers where the resolution process has been invoked, additional finance can be provided before implementation of the plan in order to meet the interim liquidity requirements of the borrower. ➤ This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower 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 such additional finance or performance of the rest of the credit facilities, whichever is worse. 																
Additional Security	<p>Additional security like looping co applicant, SORP, SOCP, 3rd party collateral, routing/charge over additional income if any etc. wherever applicable shall be explored for such accounts restructured under the scheme.</p> <p>Note - Above list of securities suggested are indicative. TCFSL may explore more options/security from time to time.</p>																
Invocation of RP	<p>Invocation date - As defined in the RBI circular vide DOR.STR.REC.11/21.04.048/2021-22 dated 5th May, 2021 i.e. latest by 30th September, 21.</p> <p>The Invocation date shall be the date on which, based on the application made by the Borrower, TCFSL conveys to the Borrower, that it is agreeable to proceed with the efforts towards finalizing the RP to be implemented in respect of such borrower</p> <p>The decision on the RP shall be communicated in writing to the borrower within 30 days of receipt of such application.</p>																
Approving Authority	<p>Resolution proposals to be approved as per the delegation matrix as defined below. Any deviation on the criteria as mentioned above in the policy i.e. (Due diligence, documentation, process & other checks) shall be approved/taken from the approving authority as defined below:</p> <p>The Delegation matrix (Approving Authority – Product wise) are as follows</p> <table border="1"> <thead> <tr> <th>BL</th> <th>LAP</th> <th>UCL</th> <th>LAS</th> </tr> </thead> <tbody> <tr> <td>BCC – NA</td> <td>BCC – NA</td> <td>Up to Rs.10 lakhs (BCC) – BCM/ACM</td> <td>BCC – NA</td> </tr> <tr> <td>Up to Rs.35 lakhs – RCM</td> <td>RCM Upto Rs.100 Lacs Rs.100 Lacs to Rs.175 lakhs – ZCM</td> <td>Above Rs. >10 to Rs.25 Lacs RCM</td> <td>Up to Rs.300 lakhs – NCM</td> </tr> <tr> <td>> Rs.35 lakhs - NCM</td> <td>> Rs.175 Lakhs - NCM</td> <td>> Rs.25 lakhs - NCM</td> <td>> Rs.300lakhs - CCO</td> </tr> </tbody> </table>	BL	LAP	UCL	LAS	BCC – NA	BCC – NA	Up to Rs.10 lakhs (BCC) – BCM/ACM	BCC – NA	Up to Rs.35 lakhs – RCM	RCM Upto Rs.100 Lacs Rs.100 Lacs to Rs.175 lakhs – ZCM	Above Rs. >10 to Rs.25 Lacs RCM	Up to Rs.300 lakhs – NCM	> Rs.35 lakhs - NCM	> Rs.175 Lakhs - NCM	> Rs.25 lakhs - NCM	> Rs.300lakhs - CCO
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Implementation of Resolution Plan (RP)	<p>TCFSL shall implement the RP i.e. Loan documentation, security creation, modification of charge etc. within 90 days from the date of invocation as defined above.</p> <p>The resolution plan shall be deemed to be implemented only if all of the following conditions are met:</p> <ul style="list-style-type: none"> • all related documentation, including execution of necessary agreements between lending institutions and borrower and 																

	<p>collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;</p> <ul style="list-style-type: none"> the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and, borrower is not in default with the lending institution as per the revised terms.
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Note: Any subsequent amendments on the criteria as mentioned above i.e. (Due diligence, documentation, process & other checks) shall be approved by MD-TCFSL/CRO-TCFSL/CCO-Consumer Finance Jointly.

**Part – I:
Section - C**

Detailed Guidelines for Resolution of Large Corporate, Mid Corporate, Emerging Corporate, Supply Chain, Leasing, CEQ, Equipment Finance and AOR exposure through Trusts (CSFD Verticals)

Particulars	Parameters
Eligibility	<ul style="list-style-type: none"> Accounts should be “Standard”, with TCFSL as of 31st March, 2021. Should not be reported as fraud Should not have been written off Individuals who have availed loans and advances for business purposes and Small businesses, including those engaged in retail and wholesale trade, other than MSME whose aggregate exposure of all its lenders as on March 31, 2021 of not more than Rs.50 crore. <p>Note: Facilities extended under the GECL (2, 3 and 4) scheme are not eligible for restructuring</p>
Exposure	Principal outstanding (due but not paid and future principal) and/or Interest due and/or overdue can be restructured.
Criteria/Due diligence to be adopted to analyse the COVID impact.	<ul style="list-style-type: none"> The borrower accounts should not have availed of any resolution in terms of the Resolution Framework 1.0 ; save and except for the borrowers covered under Part III of this note. Application from customer for invoking resolution process; To check whether borrower is associated to any of the sectors which are adversely impacted due to COVID-19; (addressable market of the borrower which falls under distressed category/sector); To check whether this pandemic has impacted the borrower’s overall business viability. Elongation of working capital cycle, supply chain disruption, loss of orders, overhauling of machines, delay in sale of any units/products which has resulted in excess inventory being build up; <p>Note – Above list is indicative and other criteria or due diligence parameters may be considered from time to time.</p>
Other checks to be considered during evaluation/due diligence	<ul style="list-style-type: none"> Past track record to be verified with respect to timely payment of debt obligations with lenders including TCFSL prior to COVID-19; Security value to be considered as per the last valuation report available with TCFSL. In case of Asset Finance suitable method like deriving current value through depreciation rates for various type of equipment’s and / or grid value to be adopted. <p>Note – Above list is indicative and other criteria or due diligence parameters may be considered from time to time.</p>
Viability Assessment	Viability assessment: Cash flows to EMI to be assessed to establish long term viability of borrower and same to be at acceptable level. Other assessment

	<p>methods for identifying cash flow mismatches and revival plan may also be deployed.</p>
Resolution Plan(RP)	<p>At TCFSL level “Restructuring” shall be deemed to be referred as “RP” only for those viable borrowers/accounts impacted due to COVID-19 pandemic.</p> <p>The types of restructuring that can be looked may include the following:</p> <ul style="list-style-type: none"> ➤ Restructuring of Principal (for eg. Increased moratorium), Restructuring of Principal & Interest; ➤ Change in the repayment option i.e. Ballooning/bullet/equated repayment could be considered based on the cash flows; ➤ Reassessment of working capital facilities, drawing power and conversion of irregular working capital loan into term loan facilities; ➤ Conversion of interest irregularities in term loans into funded interest term liabilities; ➤ Funding of future interest dues; ➤ Converting of portion of debt into equity or other marketable, non-convertible debt securities (as defined in the RBI circular dated 6th Aug, 2020) to exert more control on the company and to extract more value from equity in case of successful turnaround; ➤ Residual tenor cannot be extended by more than 2 years; ➤ Additional funding;/ sharing of security with lenders offering additional security; ➤ Interest only payment for certain period; ➤ Any other resolution plan as defined in the resolution framework for Covid-19 related stress as deemed to be fit to TCFSL. <p>Based on the borrower’s request for restructuring. Such account/borrower is recommended for restructuring to the approving authority, as defined under the Policy subject to required evaluation, due diligence & viability assessment being carried out by Credit Monitoring team/Credit Manager resp.</p> <p><u>Note: All the restructuring accounts/cases should be recommended jointly by teams of DSMG, and the respective Business teams before being put up for approval to Approving Authority.</u></p>
RP for borrowers who have availed assistance under GECL 1.0 and are eligible for restructuring as per RBI Guidelines dated 5th May, 2021.	<ul style="list-style-type: none"> ➤ GECL loans in such cases would be allowed a repayment tenure of upto 5 years, i.e, period upto 24 months during which only interest shall be payable and the principal instalments shall be payable thereafter in 36 monthly instalments. ➤ Borrowers who avail of the restructuring under this framework shall be permitted to avail additional assistance upto 10% of their outstanding as on February 29, 2020, provided they have not availed additional assistance under GECL 3.0. They shall not be subsequently eligible for GECL 3.0, i.e. borrowers may either avail of this additional 10% or additional assistance under GECL 3.0, but not both.
Additional Finance before Implementation	<ul style="list-style-type: none"> ➤ In respect of borrowers where the resolution process has been invoked, additional finance can be provided before implementation of the plan in order to meet the interim liquidity requirements of the borrower. ➤ This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower 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 such additional finance or performance of the rest of the credit facilities, whichever is worse.

<p>Additional Security</p>	<p>Some of the following additional security that may be explored at the time of restructuring of advances/accounts.</p> <ul style="list-style-type: none"> ➤ Personal Guarantee (s) of the promoters/directors/partners/3rd party; ➤ Property collateral i.e. SORP, SOCP, 3rd party collateral, cash flows etc; ➤ Pledge of promoters shares; ➤ Corporate Guarantee of holding company/companies; ➤ Ring fencing of cash flows through Escrow/TRA mechanism. <p>Note: Above list of securities suggested are indicative. TCFSL may explore more options/security from time to time.</p>
<p>Invocation of RP</p>	<p>TCFSL shall adhere to the Invocation timelines as defined in the RBI circular dated 5th May, 21 i.e. latest by i.e. 30th September, 2021. If any amendments/modification done by RBI from time to time, the same shall be applicable to TCFSL</p> <p>The Invocation date shall be the date on which, based on the application made by the Borrower, TCFSL conveys to the Borrower, that it is agreeable to proceed with the efforts towards finalizing the RP to be implemented in respect of such borrower</p> <p>The decision on the RP shall be communicated in writing to the borrower within 30 days of receipt of such application.</p>
<p>Approving authority</p>	<p>Resolution proposals can be approved by the authorities as prescribed in the extant Delegation of Authority for that Line of Business. Any deviation which is not explicitly mentioned in the policy however permissible within overall framework of the policy can be approved at Chief Credit Officer, CSFD level.</p>
<p>Implementation of Resolution Plan (RP)</p>	<p>TCFSL shall implement the RP i.e. Loan documentation, security creation, modification of charge etc. within 90 days from the date of invocation as defined above.</p> <p>The resolution plan shall be deemed to be implemented only if all of the following conditions are met:</p> <ul style="list-style-type: none"> • 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; • the changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions; and, • borrower is not in default with the lending institution as per the revised terms.

Note – Any subsequent amendments on the criteria as mentioned above i.e. (Due diligence, documentation, process & other checks) shall be approved by MD-TCFSL/CRO-TCFSL/CCO-CSFD Jointly.

Part I
Section – D

Clause applicable for all the above sections i.e. A , B & C respectively:

Asset Classification, Provisioning & Reversal of Provisioning:

The asset classification, provisioning & reversal of provisioning shall be applicable as per the RBI circular vide DOR.STR.REC.11/21.04.048/2021-22 dated 5th May, 2021, as amended from time to time/any other guidance as provided by RBI, Ministry of Corporate Affairs, Institute of Chartered Accountants of India, Indian Banking Association or such other competent authority from time to time.

If a resolution plan is implemented, 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 resolution plan.

Provisions to be kept from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure of TCFSL. 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, since TCFSL is governed under the IndAS , the provisioning shall be higher of the above norms or ECL policy.

Non Eligibility Criteria:

The said policy shall not be eligible for the following categories of borrowers/credit facilities as mentioned below:

- MSME borrower whose aggregate exposure to lending institutions collectively, is ~Rs.25 Crs or less as on 31st March, 2021. **Since there is a separate guideline applicable for such borrowers;**
- **Farm credit** as defined in the RBI circular dated 6th August, 2020.
- Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture;
- Exposures of lending institutions to financial service providers. However financial service providers shall constitute same as defined in sub-section (17) of Section 3 of the IBC Act, 2016.
- Exposures of lending institutions to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

Disclosure & Credit Reporting:

As directed by the RBI circular dated 5th May, 2021, TCFSL shall make required disclosures & credit reporting in the prescribed format as stipulated by RBI circular dated 5th May, 2021 within the stipulated timelines.

Monitoring of Restructured Accounts:

The Performance of such restructured accounts to be regularly monitored and to be highlighted in the CMC/RRR meetings on monthly/quarterly basis. The monitoring of all the restructured accounts to be done by Credit Monitoring team, respective product credit & sales team and Collection team.

Tenor for Restructured Accounts:

The revised tenor shall depend on the financial and operational viability of the account with the revised tenor as justified in the restructuring note. At all time, tenor for the restructured accounts under the said policy shall not be more than the RBI stipulated guidelines/circular/governed i.e. maximum tenor of 2 years by the Master circular of RBI pertaining to the same, as amended from time to time.

Key Process Guidelines for Restructured Accounts:

- A separate scheme code to be generated for restructuring cases and to named "**Product – Restructured 2.0 – COVID-19**".
- The earlier loan to be closed in the system (**closed contract to have status as re-structuring, COVID-19 related**) and the principal outstanding along with accrued interest if any to be transferred to the new loan account.

- Accounts restructured under this scheme shall be tracked separately as **“Restructured 2.0 COVID-19”** in CLOS/Finn one and Operations.
Both the closed account and the restructured account need to be linked in the system.

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Part II

Resolution Framework for MSME advances:

Particulars	Parameters												
<p>Eligibility</p>	<p>The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020. MSME is defined as under:</p> <table border="1" data-bbox="513 421 1407 568"> <thead> <tr> <th>Type of Enterprise</th> <th>Investment <</th> <th>Turnover <</th> </tr> </thead> <tbody> <tr> <td>Micro</td> <td>Rs.1 Crs</td> <td>Rs.5 Crs</td> </tr> <tr> <td>Small</td> <td>Rs.10 Crs</td> <td>Rs.50 Crs</td> </tr> <tr> <td>Medium</td> <td>Rs.50 Crs</td> <td>Rs.250 Crs</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ➤ All Accounts should be “Standard” as of 31st March, 2021 ➤ Should not have reported as fraud by TCFSL; ➤ Should not have been written off; ➤ Aggregate exposure Fund based + Non Fund based (all the lenders) should be less than Rs.50 Crs as of 31st March 2021; ➤ 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. ➤ The borrower’s account was not restructured in terms of the circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated 6th August, 2020; DOR.No.BP.BC.34/21.04.048/2019-20 dated 11th February, 2020; or DBR.No.BP.BC.18/21.04.048/2018-19 dated 1st January, 2019 (collectively referred to as MSME restructuring circulars) or the circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress.” ➤ Borrower should be registered in the Udyam Registration Portal, If the borrower is not registered, such registration shall be completed before the date of implementation of the RP. 	Type of Enterprise	Investment <	Turnover <	Micro	Rs.1 Crs	Rs.5 Crs	Small	Rs.10 Crs	Rs.50 Crs	Medium	Rs.50 Crs	Rs.250 Crs
Type of Enterprise	Investment <	Turnover <											
Micro	Rs.1 Crs	Rs.5 Crs											
Small	Rs.10 Crs	Rs.50 Crs											
Medium	Rs.50 Crs	Rs.250 Crs											
<p>Restructuring</p>	<p>The RBI guidelines/circular dated 6th August, 2020 and 5th May, 2021 doesn't provide any guidance on the type of restructuring options that can be adopted. However, the types of restructuring that can be looked may include the following:</p> <ul style="list-style-type: none"> ➤ Restructuring of Principal (for eg. Increased moratorium), ➤ Restructuring of EMI (Principal & Interest); ➤ Change in the repayment option i.e. Ballooning/bullet/equated repayment could be considered based on the cash flows; ➤ Conversion of interest irregularities in term loans into funded interest term liabilities; ➤ Funding of future interest dues; ➤ Interest only payment for certain period. ➤ Any other resolution plan as defined in the resolution framework for Covid-19 related stress if any as deemed to be fit to TCFSL. <p><u>Note: Facilities extended under the GECL (2,3 and 4) scheme are not eligible for restructuring.</u></p>												
<p>Invocation of RP</p>	<p>Invocation date - As defined in the RBI circular vide DOR.STR.REC.12/21.04.048/2021-22 dated 5th May, 2021 i.e. latest by 30th September, 21.</p> <p>The Invocation date shall be the date on which, based on the application made by the Borrower, TCFSL conveys to the Borrower, that it is agreeable to</p>												

	<p>proceed with the efforts towards finalizing the RP to be implemented in respect of such borrower</p> <p>The decision on the RP shall be communicated in writing to the borrower within 30 days of receipt of such application.</p>
Implementation of Resolution Plan (RP)	<ul style="list-style-type: none"> ➤ TCFSL shall endeavour that the implementation of the RP i.e. Loan documentation, security creation, charge modification etc shall be done within 90 days from the date of invocation as defined above.
RP for borrowers who have availed assistance under GECL 1.0 and are eligible for restructuring as per RBI Guidelines dated 5th May, 2021.	<ul style="list-style-type: none"> ➤ GECL loans in such cases would be allowed a repayment tenure of upto 5 years, i.e, period upto 24 months during which only interest shall be payable and the principal instalments shall be payable thereafter in 36 monthly instalments. ➤ Borrowers who avail of the restructuring under this framework shall be permitted to avail additional assistance upto 10% of their outstanding as on February 29, 2020, provided they have not availed additional assistance under GECL 3.0. They shall not be subsequently eligible for GECL 3.0, i.e. borrowers may either avail of this additional 10% or additional assistance under GECL 3.0, but not both.
Asset Classification & Provision	<ul style="list-style-type: none"> ➤ Account classification as “Standard” may be retained; ➤ Accounts which may have slipped into NPA category between 1st April, 2021 – till date the implementation of restructuring, may be upgraded as “Standard Asset” as on the date of implementation of restructuring. ➤ A 10% of the residual debt of the borrower should be kept as a provision
Exposure	Principal outstanding (due but not paid and future principal) and/or interest due and/or overdue can be restructured.
Approving Authority	<p>Resolution proposals can be recommended & approved as per the following:</p> <ul style="list-style-type: none"> ➤ CFAB - As defined in Section A and B of Part I ➤ CSFD - As per the extant Delegation of Authority <p>Any deviation which is not explicitly mentioned in the policy however permissible within overall framework of the policy can be approved at Chief Credit Officer, CSFD level.</p>

Note - For any other parameters/clauses/instructions, the reference to be taken from the RBI circulars wrt to restructuring of advances for MSMEs, as amended from time to time. At any point of time, if RBI comes up/issues/amend any circular pertaining to restructuring of advance for MSMEs dated 5th May, 2021 vide DOR.STR.REC.12/21.04.048/2021-22 or the definition of SME itself to whom the provisions of this circular would apply, the same will be made applicable/followed by TCFSL at that point of time. .

Part III

Convergence of the norms for loans resolved previously under Resolution framework 1.0 for Covid 19 related stress

Objective & Scope

In order to support individuals/ non-individuals who are facing financial stress on account of COVID-19, the RBI had issued a circular/guidelines “Resolution Framework for COVID-19-related Stress” vide DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August, 2020.

However, due to the resurgence of COVID-19 in India, the consequent containment measures may impact the recovery process and create new uncertainties. Hence, with the objective of alleviating the potential stress to borrowers, RBI has issued 2 circular/guidelines namely “Resolution Framework 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses” vide DOR.STR.REC.11/21.04.048/2021-22 and “Resolution Framework 2.0 - Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)” vide DOR.STR.REC12/21.04.048/2021-22 dated 5th May, 2021 which detailed suitable modification to the existing resolution framework, which are given below.

The existing framework is subsequently referred to as Resolution Framework 1.0.

Below mentioned amendments are proposed in the existing Resolution Framework 1.0 for COVID-19 related- stressed Assets/Advances.

Convergence for loans resolved previously for Personal Loans (PL):

Particulars	Parameters
Eligibility	<ul style="list-style-type: none">Account should be Standard as of 31st March, 2021.Tata Capital to satisfy itself that the same is necessitated on account of the economic fallout from COVID-19.
Resolution Plan Modifications for Loans resolved under Resolution Framework 1.0	In cases of loans of borrower where resolution plans had been implemented in terms of Resolution framework 1.0, where the resolution plan permitted moratorium is less than two years, will be permitted to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of 2 years.
Invocation of Modified Resolution Plan	As defined in the RBI circular vide DOR.STR.REC.11/21.04.048/2021-22 dated 5 th May, 2021 i.e. latest by 30st September, 21 , .
Implementation of Modified Resolution Plan	The implementation i.e. Loan documentation, security creation, modification of charge etc shall be done within 90 days from the date of invocation as defined above.

Convergence for loans resolved previously – Business Loans, Loan against Property & Used Car Loans (All CFAB Products excluding Personal Loans):

Particulars	Parameters
Eligibility	<ul style="list-style-type: none">Individuals who have availed loans and advances for business purposes and Small businesses, including those engaged in retail and wholesale trade,(other than MSME) whose aggregate exposure of all its lenders as on March 31, 2021 of not more than Rs.25 crore.

	<ul style="list-style-type: none"> Account should be Standard as of 31st March, 2021. TCFSL to satisfy itself that the same is necessitated on account of the economic fallout from COVID-19.
Resolution Plan Modifications for Loans resolved under Resolution Framework 1.0	Where the resolution plan permitted moratorium is less than two years, will be permitted to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of 2 years.
Invocation of Modified Resolution Plan	As defined in the RBI circular vide DOR.STR.REC.11/21.04.048/2021-22 dated 5 th May, 2021 i.e. latest by 30st September, 21 .
Implementation of Modified Resolution Plan	The implementation i.e. Loan documentation, security creation, modification of charge etc shall be done within 90 days from the date of invocation as defined above.

Convergence for loans resolved previously - Emerging, Supply Chain, Leasing, CEO, and Equipment Finance (CSFD Products only):

Particulars	Parameters
Eligibility	<ul style="list-style-type: none"> Small businesses, including those engaged in retail and wholesale trade, (other than MSME) whose aggregate exposure of all its lenders as on March 31, 2021 of not more than Rs.25 crore. Account should be Standard as of 31st March, 2021. Tata Capital to satisfy itself that the same is necessitated on account of the economic fallout from COVID-19.
Resolution Plan Modifications for Loans resolved under Resolution Framework 1.0	Where the resolution plan permitted moratorium is less than two years, will be permitted to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of 2 years.
Invocation of Modified Resolution Plan	As defined in the RBI circular vide DOR.STR.REC.11/21.04.048/2021-22 dated 5 th May, 2021 i.e. latest by 30st September, 21 .
Implementation of Modified Resolution Plan	The implementation i.e. Loan documentation, security creation, modification of charge etc shall be done within 90 days from the date of invocation as defined above.

Grievance redressal:

The Grievance redressal machinery of TCFSL constituted in line with RBI's circular on Grievance Redressal Mechanism vide DNBS. CC. PD. No. 320/03. 10. 01/2012-13 dated February 18, 2013, will also deal with the issues related to customer grievances emanating out of services rendered by TCFSL as per restructuring guidelines outlined in this policy. The designated officer shall ensure that genuine grievances of customers are redressed promptly.