TATA CAPITAL

POLICY FOR

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

July 22, 2021

Version 1.1
Version 1 – May 21

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.

Later in order to further support individuals/non-individuals who were facing financial stress on account of COVID-19 which had impacted their long term viability, RBI had 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 and "**Resolution Framework for COVID-19-related Stress – Financial Parameters**" vide *DOR.No.BP.BC/13/21.04.048/2020-21 dated 7th September 2020.*

However, due to the resurgence of COVID-19 in India, 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 of COVID-19- related Stressed Assets/Advances was formulated for TCCL.

Subsequently RBI has issued 2 circulars vide – "**Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**" vide DOR.STR.REC.20/21.04.048/2021-22 and "**Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**" vide DOR.STR.REC.21/21.04.048/2021-22 dated 4th June 2021 detailing revision in threshold for aggregate exposures.

This Policy document is divided into two parts, first covering the guidelines issued under the **"Resolution of COVID-19 related stress of Individuals and Small Businesses" - Part –I** and **"Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)"- Part II.**

Resolution Framework 2.0 of COVID-19-related Stressed Assets.
Part I

Preamble:

- This Policy reflects Tata Cleantech Capital Limited **("TCCL")** 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/ modification's done by RBI from time to time, will be made applicable to TCCL post receipt of the approval from MD, CRO & CFO of TCCL. Also at all times, TCCL 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 like 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.50 Crs or less as on 31st March, 2021) referred to as "other exposures" herein. There are separate guidelines pertaining to restructuring of MSMEs loans/advance (whose aggregate exposure to lending institutions collectively, is Rs.50 Crs or less as on 31st March, 2021) which is covered in **Part II**.

Objectives:

The broad objectives of this Policy are as follows:

- Eligibility Criteria, Type of Resolution to be adopted by TCCL, Evaluation & Subjective Criteria, Additional Security, Viability Assessment and Invocation date pertaining to Stress in **Other Exposures** are covered under **Section A**.
- 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 Other Exposures **covered in Section B**

Section A

Detailed Guidelines for Resolution of Other Exposures

Particulars	Parameters
Eligibility	➢ Accounts should be **"Standard",** as of 31st March, 2021 ➢ 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. **Note: Facilities extended under the GECL scheme are not eligible for restructuring**
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 for analysis of the COVID impact.	**Specific to project financing transactions:** ➢ Due diligence of the Group/Promoter ➢ Project performance to be evaluated; For under construction projects progress to be evaluated, latest LIE reports to be reviewed, impact of labour migration on project to be assessed. ➢ Cash flow analysis to be conducted to assess the viability of the project post restructuring. ➢ Key documents as applicable (for example PPA/CA, EPC contracts, key approvals) to be reviewed ➢ Analysis of existing Escrow/TRA account for the project **Applicable to exposures (including project finance transactions above, if applicable)** ➢ The borrower accounts should not have availed of any resolution in terms of the Resolution Framework 1.0. ➢ To assess impact on sectors where borrower is operating. ➢ To assess financial impact in terms of Revenue/Sales, EBIDTA & profit margins, impact on Cash flows, debtor & creditor analysis. ➢ Working capital cycle assessment, impact of labour migration on labour intensive industries (if applicable); ➢ Significant delay in implementation of project/or any capital expenditure which has impacted the turnover/sales; ➢ Compliance with Security creation condition

	<u>Note – Above list is indicative and other criteria or due diligence parameters can be considered from time to time.</u>

Viability Assessment	**The key ratios(Please refer annexure 1 for definition of ratios)** projected at the time of restructuring to be within the ratio prescribed below: ➢ TOL/ATNW $\leq$ 4.5, Total Debt/EBIDTA $\leq$ 5 and Current ratio $\geq$ 1 ➢ Average DSCR ≥ 1.2x & Min DSCR ≥ 1.00 x for the restructured accounts; Compliance to TOL/ATNW stipulated at the time of restructuring plan to be tested on an annual basis after implementation of restructuring plan starting from March 31, 2023. *Wherever the resolution plan envisages equity infusion, the same may be suitably phased-in over this period. All other key ratios shall have to be maintained as per the resolution plan by March 31, 2023 and on an ongoing basis thereafter.* *Note: TCCL shall make further additions to ratios /or viability testing criteria from time to time on case to case basis. Any deviation from the above parameters should be recorded in the appraisal/restructured note with proper justification and approving authority should approve such deviations.* ***TCCL may at its discretion also stipulate the timelines during which certain viability milestones (e.g.Build up of DSRA,project completion, improvement in certain financial ratios after a period of time, say, 6 months or 1 year and so on) would be achieved during the restructuring period.***
Resolution Plan	At TCCL level "**Restructuring"** shall be deemed to be referred as **"RP"** only for those viable borrowers/accounts impacted due to COVID-19 pandemic. **The types of restructuring that can be looked may include the following:** ➢ Restructuring of Principal (for e.g. 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; ➢ 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; ➢ 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 TCCL.

	Note: The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years. Based on the borrower's request for restructuring. Such account/borrower is recommended for restructuring to the approving authority as per the group exposure based on Delegation of Authority (DOA) for Credit Underwriting in TCCL (CC/MCC/ICC)
Additional Finance before Implementation	➢ 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	**Some of the following additional security that may be explored at the time of restructuring of advances/accounts.** ➢ Personal Guarantee (s) of the promoters/directors/partners/3rd party; ➢ Property collateral ➢ Pledge of promoters shares; ➢ Corporate Guarantee of holding company/companies; ➢ Ring fencing of cash flows through Escrow/TRA mechanism. **Note: Above list of securities suggested are indicative. TCCL may explore more options/security from time to time.**
Invocation of RP	TCCL shall adhere to the Invocation timelines as defined in the RBI circular dated 5th May, 2021 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 TCCL. The decision on the RP shall be communicated in writing to the borrower within 30 days of receipt of such application All borrower accounts which were standard as on March 31, 2021, would be eligible for restructuring under this Policy irrespective of their status (standard / NPA) as on the date of invocation. **However at TCCL level, Invocation Date shall be the date of sanction letter or if the sanction letter is signed by the borrower on subsequent date then the invocation date will be the date of acceptance of the sanction letter by the borrower.**

Approving authority	Resolution proposals would be approved as per the group exposure based on Delegation of Authority (DOA) for Credit Underwriting in TCCL (CC/MCC/ICC). Reporting of all cases approved by CC and MCC under this policy to be done to Investment Credit Committee(ICC).
Implementation of Resolution Plan (RP)	TCCL shall implement 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. 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.
Post invocation process	➢ Application/request letter from the customer/borrower ➢ Impact analysis/detailed due diligence including other checks as defined above shall be carried out/evaluated by the credit underwriting team; ➢ On the basis of viability assessment being carried out by **Credit Underwriting team** and also reasonably sure that the exposure can be better managed (recovered) by restructuring the account, then shall initiate/recommend the proposal to approving authority;

***Note** – Any subsequent amendments on the criteria as mentioned above i.e. (Due diligence, documentation, process & other checks) shall be approved by MD, CRO and CFO of TCCL jointly.*

Convergence of the norms for loans resolved previously:

- **The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.**

Section – B

Asset Classification, Provisioning & Reversal of Provisioning:

The asset classification, provisioning & reversal of provisioning shall be applicable as per the RBI circular videDOR.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 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 TCCL 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 TCCL 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 50 Crs or less as on 31st March, 2021**. Since there is a separate guideline applicable for such borrowers covered in part II of this policy;**
- 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, TCCL shall make required disclosures & credit reporting in the prescribed format as stipulated by RBI within the stipulated timelines.

Monitoring of Restructured Accounts:

The Performance of such restructured accounts to be monitored monthly by Credit Monitoring team and to reviewed as part of Credit Monitoring Committee.

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.

Note: TCCL Project finance exposures where the extension in tenure is provided on account of shifting of 'Date of Commencement of Commercial Operations' (DCCO)/'Scheduled Commercial Operations Date'(SCOD) under the RBI Master Circular No. DBOD.No.BP.BC.9/21.04.048/2014-15 dated July 1, 2014 and RBI moratorium policy for the period March 20 – August 20 due to COVID 19 impact are excluded from the above.

Key Process Guidelines for Restructured Accounts:

- A separate scheme code to be generated for restructuring cases and to be 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 RLOS/Finn one and Operations.
- Both the closed account and the restructured account need to be linked in the system.

Part II

Resolution Framework for MSME advances

<table>
<tr><th>Particulars</th><th>Parameters</th></tr>
<tr><td>Eligibility</td><td>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:
<table>
<tr><th>Type of Enterprise</th><th>Investment <</th><th>Turnover <</th></tr>
<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>
</table>

All Accounts should be “Standard” as of 31st March, 2021;
Aggregate exposure Fund based + Non Fund based (all the lenders) does not exceed ~Rs.50 Crs as of 31st March 2021;
Should not be reported as Fraud by TCCL
Should not have been written off
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 March 31, 2021.
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.
</td></tr>
<tr><td>Restructuring</td><td>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:

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 TCCL.

Note: Facilities extended under GECL scheme are not eligible for restructuring.</td></tr>
<tr><td>Invocation of RP</td><td>TCCL shall adhere to the Invocation timelines for other exposure as defined in the RBI circular vide DOR.STR.REC.12/21.04.048/2021-22 dated 5th May, 21 i.e. latest by i.e. 30th September, 2021.
The decision on the RP shall be communicated in writing to the borrower within 30 days of receipt of such application.</td></tr>
</table>

	However at TCCL level, Invocation Date shall be the date of sanction letter or if the sanction letter is signed by the borrower on subsequent date then the invocation date will be the date of acceptance of the sanction letter by the borrower.
Implementation of Resolution Plan (RP)	TCCL 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.
Asset Classification & Provision	➢ Account classification as **"Standard"** may be retained; ➢ Accounts which may have slipped into NPA category between 1st April 2010 – 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	Resolution proposals to be approved as per the group exposure based on Delegation of Authority (DOA) for Credit Underwriting in TCCL (CC/MCC/ICC). Any deviation which is not explicitly mentioned in the policy however permissible within overall framework of the policy can be taken by Credit Committee and Risk Team.

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 MSME's dated 5th May, 2021 vide DOR.STR.REC.12/21.04.048/2021-22 or the definition of MSME itself to whom the provisions of this circular would apply, the same will be made applicable/followed by TCCL at that point of time.

Grievance redressal:

The Grievance redressal machinery of TCCL 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 TCCL as per restructuring guidelines outlined in this policy. The designated officer shall ensure that genuine grievances of customers are redressed promptly.

Annexure 1

Key Ratio	Definition
Total Outside Liabilities / Adjusted Tangible Net Worth (TOL/ATNW)	Addition of long-term debt, short term debt, current liabilities and provisions along with deferred tax liability divided by tangible net worth net of the investments and loans in the group and outside entities.
Total Debt/EBIDTA	Addition of short term and long-term debt divided by addition of profit before tax, interest and finance charges along with depreciation and amortisation.
Current Ratio	Current assets divided by current liabilities
Debt Service Coverage Ratio (DSCR)	For the relevant year addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges
Average DSCR	Over the period of the loan addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.