

**BOARD POLICY FOR RESOLUTION FRAMEWORK-2.0:
RESOLUTION OF COVID-19 RELATED STRESS OF INDIVIDUALS AND SMALL
BUSINESSES**

1. INTRODUCTION

- 1.1. In view of the resurgence of Covid -19 pandemic in India in the recent weeks and consequent lockdown measures announced in various States, more particularly in Southern Four States wherein the company operates primarily, the borrowers are facing uncertain business environment due to restrictions on movement of vehicles.
- 1.2. In order to help the borrowers, Reserve Bank of India has issued a circular (No. DOR.STR.REC.11/21.04.048/2021-22) on 5th May 2021 to enable the NBFCs to implement a resolution plan in respect of eligible individual borrowers and small businesses.
- 1.3. Lending Institutions (including NBFCs) are permitted to offer a limited window to individual borrowers and small businesses ("**Borrowers**") to implement resolution plans in respect of their credit exposures while classifying them as Standard upon implementation of the resolution plan subject to specified conditions.
- 1.4. RBI has also asked all the lending institutions to put in place a Board approved policy in this regard.
- 1.5. Our company, being a Non-Banking Finance Company registered with RBI, is mainly into the business of financing of pre-owned commercial vehicles, infrastructure equipments etc. which is affected by the COVID-19 disruptions.
- 1.6. Accordingly, in compliance of the above RBI Circular, a resolution policy is formulated after taking into consideration the guidelines issued by RBI.

2. OBJECTIVE

- 2.1. The objective is to ease the potential stress caused by Covid-19 to individual borrowers and small businesses.

3. ELIGIBILITY FOR THE BORROWERS

- 3.1 All kinds of borrowers, namely Individuals, Small Businesses, Corporates, MSME / non-MSME borrowers etc are eligible and have availed loans for business purposes with an exposure of less than ₹ 50 crores as at 31 March 2021.
- 3.2 The borrower has not availed any resolution in terms of Resolution Framework-1.0 subject to the condition that he has not availed any moratorium or moratorium of less than two years and/or extension of

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residual tenor by a period of less than two (2) years (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).

3.3 The borrower account was classified as Standard as on 31 March 2021.

4. DUE DILIGENCE CONSIDERATIONS

FOR INDIVIDUAL BORROWERS - COMMERCIAL VEHICLES, INFRASTRUCTURE EQUIPMENTS, MACHINERIES ETC

- 4.1 All proposals to be duly originated by Collection Departments and recommended by Business Development Team and approved by the Credit Appraisal Department.
- 4.2 Vehicular records as per prevailing Govt regulations in respective states.
- 4.3 Fresh Vehicle Inspection report has to be provided with latest photograph of the asset.
- 4.4. Justification from Branch head as to whether the reason for the stress in the account is due to Covid-19.
- 4.5 Declaration / Undertaking stating that borrower(s) is / are an MSME / non-MSME category and they also comply with the RBI's Resolution Framework 2.0.

FOR CORPORATE BORROWERS

- 4.6 All proposals to be duly originated by Collection Departments and recommended by Business Development Team and approved by the Credit Appraisal Department.
- 4.7 Justification from Branch head as to whether the reason for the stress in the account is due to Covid-19.
- 4.8 Declaration / Undertaking stating that borrower(s) is / are an MSME / non-MSME category and they also comply with the RBI's Resolution Framework 2.0.
- 4.9 All borrowers to submit a Cash Flow Statement and a certificate from the Auditor to ascertain that the borrower(s) has / have not borrowed in aggregate more than ₹ 50 crores.

OTHERS

- 4.10 In case any borrower(s) is/are found ineligible borrowers and have availed the Resolution Framework 2.0, the Company has the right to reverse the scheme and borrowers have to pay a penal interest at the 3 per cent per month from the date of sanction till the date of payment.
- 4.11 The Company will prepare a Due Diligence checklist so that it can circulated to the branches to conform that the Borrowers comply with the Resolution Framework 2.0.

5. FEATURES OF RESOLUTION PLANS

- 5.1 The features of the Resolution plan are as follows:
- 5.2 Moratorium for payment of instalments for the months of lockdown is in Southern Four States
- 5.3 Moratorium period should be for a maximum of two years.
- 5.4. Additional Hire purchase loans to convert the demand/billings for the months of lockdown period into fresh loan with suitable repayment schedule that will suit customer's cash flow from business.
- 5.5. Rechartering/ rescheduling the repayments that will suit the customer's cash flow in emerging scenario.
- 5.6. The last date for the invocation permitted under this scheme is 30th September 2021.
- 5.7. The Company will keep a provision from the date of implementation, which are higher of the provisions held as per the extant RBI Asset Classification norms immediately before the implementation or 10 per cent of the renegotiated debt exposure.

6. COMMUNICATION TO THE BORROWERS

- 6.1 The Company will communicate the decision on the application for resolution framework in writing to the borrowers within 30 days of the receipt of the applications.

7. DISCLOSURES AND REPORTING

- 7.4. The Company, while publishing its quarterly financial statements, shall make disclosures as per the format prescribed in **Annexure- A** in its financial statements for the quarters ending 30 September 2021 and 31 December 2021. The resolution plans implemented in terms of this policy shall also be included in the continuous disclosures required to made as per the prescribed format in the Resolution Framework – 1.0, which is given in **Annexure - B**.
- 7.5. The number of borrower accounts, where modifications were sanctioned and implemented in terms of this policy and the aggregate exposure of the company to such borrowers is also be disclosed on a quarterly basis, starting from the quarter ending 30 June 2021.
- 7.6. The Company is required to make the disclosures in its annual financial statements, along with other prescribed disclosures.
- 7.7. The credit reporting by the Company in respect of borrowers where the resolution plan is implemented in terms of this policy shall reflect the "restructured due to COVID-19" status of the account.
- 7.8. The Company will also disclose the above policy in its website, **www.sakthifinance.com**.

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8. AMENDMENTS

8.1 The amendments, if any, to the policy will be made as and when required in terms of the regulatory requirements.

5th June 2021
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Annexure – A

**Format of disclosures to be made in the Quarters ending
September 2021 and 31 December 2021**

Sl No	Description	Individual Borrower		Small Businesses
		Personal Loans	Business Loans	
A	Number of requests received for invoking resolution process under the Policy			
B	Number of accounts where resolution plan has been implemented under this window			
C	Exposure of accounts mentioned in B above before implementation of the plan			
D	Of C, aggregate amount of debt that has been converted into other securities			
E	Additional Funding sanctioned, if any, including between invocation of the plan and implementation			
F	Increase in provision on account of the implementation of the resolution plan			

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Annexure - B

Format of disclosures to be made half-yearly starting 30 September 2021

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate persons*					
Of which MSMEs					
Others					
Total					
* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016					