

## **LOAN RESTRUCTURING POLICY (COVID 2<sup>nd</sup> Wave)**

### **1. Introduction:**

The Reserve Bank of India vide its Circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on "Resolution Framework for COVID-19-related Stress" ("Resolution Framework – 1.0") had provided a window to enable 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.

The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic has impacted the recovery process and created new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, Reserve Bank of India vide its Circular RBI/2021-22/31, DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 has issued detailed guidelines on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses. The Circular also mandates the lending institutions to frame a Board approved policy within 4 weeks from the date of issue of the above circular.

Accordingly, the following policy guidelines are issued for Loan Restructuring of impacted borrowers loans in CAGL.

### **2. Eligibility criteria for Loan Restructuring:**

- The borrower's account should be 'standard asset' as on March 31, 2021.
- Invocation for restructuring has to be completed by September 30, 2021. Invocation is deemed when CAGL and borrower agree to pursue restructuring plan.
- The restructuring of the borrower account is to be implemented within 90 days from invocation or December 31, 2021, whichever is earlier.

### **3. Applicability of Loan Restructuring:**

- Applicable to Group Lending and Retail Finance borrowers of CAGL impacted by fallout of COVID 19 irrespective of their vintage with CAGL / level of dues to CAGL.

### **4. Procedure for Loan Restructuring:**

- The borrower has to submit a request in writing to the concerned branch.
- The borrower must be a standard account in the books of CAGL as of March 31, 2021.
- The KMs/ABMs/BMs should visit the customer and evaluate the request of the customer w.r.t. impact of lockdown on the business of the customer.
- Restructuring of loans will be considered on case-to-case basis only after necessary checks and recommendations by the Branch Manager/Area Manager.
- CAGL shall revert to borrower within 30 days from receipt of application from borrower for restructuring.
- The necessity to restructure the loan account will be determined by the sanctioning authority on a case-to-case basis taking a holistic view of the proposal / ability of customer to restart the income generation activity and service loan repayments.

## **5. Features of Resolution Plan:**

- The features of resolution plan shall include the following.
  - Rescheduling of repayments including accrued interest.
  - Granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of three months. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan. Correspondingly, the overall tenor of the loan shall get modified commensurately.
  - Sanction Additional Finance to customers who have been considered for resolution plan to meet the interim needs of the borrower.
  - The repayment tenure extension for the rescheduled loans including moratorium period shall be for a maximum of 2 years.
  - For borrowers who have availed resolution framework 1.0, the above options shall be granted in such manner that the overall extended tenure including moratorium period, earlier extensions provided, if any, along with new the extension shall not exceed 2 years.

## **6. Asset Classification and provisioning for restructured accounts:**

Restructured loan shall be treated as standard assets wherever loans need to be classified as per IRAC norms of RBI. Provisioning for restructured loan shall be done as per Ind-AS norms. Restructured account may be recognized as "SICR" (significant increase in credit risk) or "Impaired", immediately after implementation. However, the account may be upgraded subsequently once satisfactory payment behaviour is observed for a sustained period.

## **7. Time frame:**

The decision on request received from the borrower for restructuring should be communicated in writing within 30 days from the date of receipt of the request. The restructuring package should be implemented within 90 days from the date of receipt of requests.

## **8. Grievance Redressal:**

Customers can contact the CAGL grievance redressal department for any grievances regarding restructuring of loan accounts.

## **9. Review:**

- The performance of restructured account shall be monitored closely by the management.
- A quarterly report shall be presented to the Risk Management and Audit Committee on restructured accounts during the period.

## **10. Disclosure:**

The information in respect of restructuring undertaken including provisions held for such accounts shall be disclosed in the financial statements under "Notes to Accounts".

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