

L&T FINANCE LIMITED

**Covid-19 Stress Resolution Policy Frame work 2.0 for Individuals and Small
Business**

May 2021

Version Control:

Version	Date of Adoption	Description	Owner	Approving Authority
0		Framing of the policy for implementation of Covid-19 stress resolution framework 2.0 facility as per RBI notification dated May 5, 2021	Risk Management Department	Board of L&T Finance Limited

1 BACKGROUND

The Reserve Bank of India (“RBI”) 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 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 may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, RBI vide its circular DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” (“**Resolution Framework 2.0**”) permitted lending institutions to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to specified conditions.

The key features of the Resolution Framework 2.0 are as under:

- The lending institutions shall frame Board Approved Policy providing details of eligibility, due diligence process within four weeks of the said circular regarding Resolution Framework 2.0 and publicize the policy on its website.
- The window of resolution under the Resolution Framework 2.0 may be offered to:
 - o Individual borrowers who have availed personal loans;
 - o Individual borrowers who have availed Business loans and to whom the lending institutions have an aggregate exposure of not more than 25 crore;
 - o Small businesses including those engaged in retail and wholesale trade to whom the lending institutions have an aggregate exposure of not more than 25 crore.
- The credit facilities/investment exposure of the borrower availing resolution under the Resolution Framework 2.0 was classified as Standard by the lending institution as on March 31, 2021.
- Resolution Process (RP) has to be invoked before September 30, 2021.
- RP has to be implemented within 90 days from the date of invocation.
- RP to be implemented under the Resolution Framework 2.0 may interalia include rescheduling of payment, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium.
- The moratorium period may be granted for a maximum period of two years. 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.
- Accounts which have slipped into NPA between invocation and implementation can be upgraded as Standard post implementation of RP.
- The Borrower account should not have availed any resolution in terms of Resolution Framework – 1.0. However in cases of loans of borrowers where RP has been implemented in terms of the Resolution Framework – 1.0, and

where the RP had permitted no moratorium or moratorium of less than two years and / or extension of residual tenor by a period of less than two years, lending institutions are permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor up to two years.

- The lending institution has to make available system for redressing the grievance of borrowers who request for resolution under the window.
- The provisioning requirement is 10% of total outstanding if the RP is implemented.
- Covid-19 General Provisions made by the lender for same asset can be utilized for meeting the provision requirement under this framework.
- The lending institution has to make periodic disclosures with respects of RPs implemented to RBI in the prescribed formats starting from September 2021.

2 OBJECTIVES

The RBI circular requires the Company to frame Board approved policies with regards to implementation of the Resolution Framework 2.0 covering the following aspects:

- The manner in which evaluation of eligibility of the borrowers may be done to ensure that the resolution under the Resolution Framework 2.0 is extended only to borrowers having stress on account of Covid19;
- The objective criteria to be applied and the due diligence considerations to be followed in order to assess the necessity of a RP for the concerned borrower;
- Establishing systems for redressing the grievance of borrowers who request for RP.

Accordingly, the Company has framed Covid-19 stress resolution policy (“**Policy**”) to incorporate the abovementioned considerations.

The Risk department will be the owner of the Policy. In the event any guidance on the RBI regulations / guidelines is required; the same would be referred to the Regulatory Compliance Department for its final views on the same. Any subsequent guidelines/modifications issued by RBI with respect to the Resolution Framework 2.0 will be automatically included in the Policy.

3 COVID-19 STRESS RESOLUTION FACILITY BY THE COMPANY

3.1 Considerations for eligibility and necessity of resolution

The following borrowers shall be eligible for the window of resolution to be invoked by the Company:

- Individuals who have availed of personal loans.
- Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have an aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- Accounts of these borrowers are classified as standard as on March 31, 2021 in the books of the Company.

Following categories of borrowers / credit facilities shall not be eligible for a resolution plan under the Resolution Framework 2.0:

- a. MSME borrowers whose aggregate exposure to lending institutions collectively, is `25 crore or less as on March 1, 2021.
- b. Farm credit except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded
- c. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- d. Exposures of lending institutions to financial service providers.

- e. Exposures of lending institutions to Central and State Governments; Local Government bodies (e.g., Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

Based on the eligibility criteria mentioned in 3.1 above, the borrowers who have availed the following type of loans from the Company will be eligible for resolution under this Policy

- Individuals who have availed Two-Wheeler Loans;
- Individuals who have availed Unsecured loans;
- Individuals who have availed Housing Loans (including Top up loans):
- Individuals who have availed Loan against property;
- Non-Individuals who have availed Loan against property # for business purposes;
- Any other loans to Non-Individuals # for business, including Trade Advance;
- Micro Loans.

Non-individual loans not classified as MSME as on March 31, 2021.

Loans offered by the Company to its staff and employees are not eligible for resolution under this Policy.

3.2 Invocation of resolution process, features of resolution plans and implementation

- Reassessment of individual borrowers would be difficult and hence in these cases, restructuring may be extended based on pre-defined structures and eligibility criteria.
- The RP may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, subject to a maximum of two years. The moratorium period, if granted, shall come into force immediately upon implementation of the RP. 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.

- The decision to invoke the resolution process under the Resolution Framework 2.0 and this Policy will be at the sole discretion of the Company.
- In respect of applications received by the Company for invoking resolution process under this Policy, the decision on the application shall be communicated in writing to the application within 30 days of receipt of such application.
- The eligibility criteria for availing the resolution by the borrowers of the Company, the process to be followed for invocation, approval and implementation of the resolution plan, with respect to the eligible borrowers shall be as per the Operating Guidelines approved by the Committee of Directors (COD) and Chief Risk Officer (CRO) of the Company (“**Operating Guidelines**”).

3.3 Delegation of Powers for approval of Resolution Plan

The COD and CRO of the Company are hereby authorised to approve the Operational Guidelines and amendments thereto. The COD and CRO are further authorised to delegate the process of approval and implementation of the Resolution Plan with respect to the eligible borrowers to such officials of the Company as they deem fit.

4. Grievance Redressal system

The Company is having Board approved ‘Redress Grievance Policy’ covering the channels available for customers to report their grievances, email & phone number of Nodal officers, response time for complaint resolution, escalation matrix etc. This Policy is uploaded on Company’s website and same will be applicable for redressing the grievance of borrowers who request for RP under this framework.

5 REVIEW

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Board. Any subsequent modifications in the RBI guidelines on this matter shall automatically be included under this Policy and the same shall not require fresh approval of the Board.