



AMBIT FINVEST PRIVATE LIMITED

Restructuring of Advances

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A. Restructuring of Advances- MSME Sector

1. Background

The Reserve Bank of India issued Circular No. RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01,2019 and subsequently circular no. RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11,2020 laid out guidelines on Restructuring of Advances- Micro, Small & Medium enterprises sector impacted by Covid 19.

In view of the need to support viable MSME entities on account of the fallout of Covid19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, the Reserve Bank of India vide circular No. RBI/2020-21/17 DOR. No. BP. BC/4/21.04.048/2020-21 dated August 6,2020 decided to extend the scheme.

Further due to uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, Reserve Bank of India has decided to extend the above facility for restructuring existing loans vide circular no. RBI/2021-22/32DOR.STR.REC. 12 / 21.04.048 / 2021-22 dated 5th of May, 2021

Ambit Finvest Private Limited (hereinafter referred as AFPL) has framed a policy on restructuring of MSME advances in line of RBI direction. The policy shall, *inter alia*, include framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts.

2. Conditions for Resolution Framework

Existing loans to MSMEs may be restructured without a downgrade in the asset classification, subject to the following conditions:

- a) 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.
- b) 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.
- c) The aggregate exposure, including non-fund-based facilities, of all lending Institutions to the borrower does not exceed ₹50 crore or such limits as modified by RBI from time to time as on March 31, 2021.
- d) The borrower's account was a 'standard asset' as on March 31, 2021.

- e) The borrower's account was not restructured in terms of the following circulars:
- DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020
 - DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 or
 - DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019.
- f) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when AFPL and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by AFPL from the customer for invoking restructuring under this facility will be communicated in writing to the applicant by AFPL within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility for a borrower shall be taken by AFPL independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- g) The restructuring of the borrower account is implemented within 90 days from the date of invocation.
- h) If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.
- i) Upon implementation of the restructuring plan, AFPL will keep provision of 10 percent of the residual debt of the borrower.

3. Other Conditions

- a) In respect of restructuring plans implemented as per Clause 2 above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.
- b) In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

- c) AFPL will satisfy itself that the restructuring of the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.
- d) Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.
- e) AFPL will make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured under these instructions as per the following format:

No. of accounts restructured	Amount in (₹ in million)

- f) All other instructions applicable to restructuring of loans to MSME borrowers shall continue to be applicable.

B. Resolution of advances to individuals and small businesses

1. Background

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 may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, the following set of measures are being announced. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

Part 2 of this policy pertains to requirements specific to resolution of advances to individuals and small businesses and Part 3 pertains to working capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously. Part D lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window.

2. Conditions of Resolution of advances to individuals and small businesses

- a) AFPL is permitted 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 the conditions specified hereafter.
- b) The following borrowers shall be eligible for the window of resolution to be invoked by AFPL:
 - i. Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by AFPL to their own personnel/staff.
 - ii. Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.50 crore as on March 31, 2021.
 - iii. 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.50 crore as on March 31, 2021.

Provided that the borrower accounts / credit facilities shall not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to *Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020).

Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 2.5 below.

Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.

*All the farm credit exposures of all lending institutions, including NBFCs, of the nature listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 , except for loans to allied activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture are excluded from the scope of the Resolution Framework. Subject to the above, loans given to farmer households would be eligible for resolution under the Resolution Framework if they do not meet any other conditions for exclusions listed in the Resolution Framework.

- c) Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

2.1. Invocation of resolution process

- a) AFPL shall frame Board approved policies within four weeks from the date of the Circular from Reserve Bank of India, pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The Board approved policy shall, inter alia, detail the eligibility of borrowers in respect of whom the lending institutions shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the lending institutions to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window. The Board approved policy shall be sufficiently publicised and should be available on the website of the lending institutions in an easily accessible manner.
- b) The resolution process under this window shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the lending institutions from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place as above shall be completed, and the decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. In order to optimise the processing time, lending institutions may prepare product-level standardized templates as part of their Board approved policies, as above, for resolution under this window.
- c) The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- d) The last date for invocation of resolution permitted under this window is September 30, 2021.

2.2. Permitted features of resolution plans and implementation

- a) The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.
- b) 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.
- c) The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0.
- d) The instructions contained in the circular DOR.No.BP. BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.
- e) The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if all the conditions in Paragraph 10 of the Annex to the Resolution Framework – 1.0 are met.

2.3. Asset classification and provisioning

- a) If a resolution plan is implemented in adherence to the provisions of this circular, 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.
- b) The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).

- c) In respect of borrowers where the resolution process has been invoked, AFPL is permitted to sanction additional finance even 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.
- d) AFPL shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.
- e) Half of the above provisions may be written back upon the borrower paying at least 20 per cent 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 per cent of the residual debt without slipping into NPA subsequently.
Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.
- f) The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

2.4. Reversal of Provisions

- a) In case of personal loans resolved under this facility, half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, 12 and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.
- b) In case of resolution of other exposures, the provisions maintained by the ICA signatories may be reversed as prescribed in clause 44 of RBI guidelines. However, in respect of the non-ICA signatories while half of the provisions may be reversed upon repayment of 20 percent of the carrying debt, the other half may be reversed upon repayment of another 10 per cent of the carrying debt, subject to the required IRAC provisions being maintained. Post Implementation Performance.

2.5. Convergence of the norms for loans resolved previously

- a) In cases of loans of borrowers specified in Clause 2 (b) above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria 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 subject to the caps in Clause 2.2 (b) above, and the consequent changes necessary in the terms of the loan for implementing such extension. 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.
- b) This modification shall also follow the timelines specified in Clauses 2.1 (a), 2.1 (d) and 2.2 (e) above. For loans where modifications are implemented in line with Clause 2 (c) above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

3. Working capital support for small businesses where resolution plans were implemented previously

- a) In respect of borrowers specified at sub-clauses (i) and (ii) of Clause 2 (b) above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, AFPL is permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.
- b) The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.
- c) AFPL accordingly, will put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner.

4. Disclosures and Credit Reporting

- a) AFPL publishing half yearly financial statements shall, at the minimum, make disclosures as per the format prescribed in Format-X in their financial statements for the half yearly ending September 30, 2021. The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.
- b) The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 2.5 (a) above, and the aggregate exposure of AFPL to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
- c) AFPL to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.
- d) The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under Part A of this window shall reflect the “restructured due to COVID-19” status¹ of the account. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

C. Viability Assessment

Viability/Revival plan of all borrowers would be considered for restructuring to MSME borrowers as per following laid down guidelines. Borrowers’ cash flow along with operational parameters would be evaluated during the appraisal of restructuring.

- a) Following types of restructuring methods would be applicable on cases to case basis:
 - i. Re-schedulement with tenure extension, principal moratorium, EMI moratorium, Step Up EMI Payment (lower in initial month and subsequently higher on a later stage) or any other relaxation or method of restructuring as decided by the Loan Approval Committee.
 - ii. Debt to be divided into Sustainable and Non-Sustainable Debt. New Schedule would be drawn for Sustainable debt where EMI’s would be paid on monthly basis. For Non-Sustainable Debt, Principal/Interest Moratorium, Reduction in Interest Rate, Nil Interest Rate would be offered on cases to case basis.
 - iii. Partial Write Off: Upfront Write off would be taken not exceeding 25% in Loan Against Property & 40% in Business Loan and balance amount would be rescheduled and regular

EMI would be paid on that. However, this would be exercised on exception basis only with approval of Loan Approval Committee.

- iv. Reschedulement with additional Top Up Loans for revival of the business
- b) All proposals of restructuring shall be evaluated with the following parameters:
- i. Operational Efficiency of the existing business
 - ii. Projected DSCR/FOIR for the year 2022 & 2023.
 - iii. Overall Debt / EBITDA = Based on Assessment and Financials (Wherever Applicable)
 - iv. AFPL Employee Visit for evaluating existing operational efficiency and other parameters.
- c) All proposals of restructuring shall be appraised subject to following conditions:
- i. Extension of tenure for Business Loans proposals shall not exceed 24 months. The total tenure post restructuring of the loan shall not exceed 42 months.
 - ii. Extension of tenure for Loan Against Property proposals shall not exceed 5 years. The total tenure post restructuring of the loan shall not exceed 18 years.
 - iii. Additional Top Up Loan shall not exceed 25% of POS. In case of Loan against property, LTV for additional top-up loans shall not exceed 80%.

D. Approval Committee

Division	Parameters	Approval Authority
SME	Upto Delegation Authority of CEO	Joint Approval of CEO & Head of Credit & Risk
SME	Beyond Delegation of CEO and/or Partial Write Off + Restructuring	Loan Approval Committee for SME
Structured Finance	All Deals	Loan Sanction Committee for Structured Finance

E. Reporting

All Restructured Advances under this dispensation will be reviewed at regular periodic intervals and shall be reported to Risk Management Committee. It should be classified into 2 parts:

- a) Restructured Advances
- b) Restructured Advances with Partial Write Off.

5. Review and Amendments

In case any amendments, clarifications, circulars and guidelines issued by Reserve Bank of India, not being consistent with the provisions laid down under this Code, then the provisions of such amendments, clarifications, circulars and the guidelines shall prevail upon the provisions contained in this Code and the same shall stand amended accordingly effective from the date as laid down under such amendments, clarifications, circulars and guidelines.

Format – X

Format for disclosures to be made half yearly in September 30, 2021

Sl. No.	Description	Individual Borrowers		Small Business
		Personal Loan	Business Loan	
A.	Number of requests received for invoking resolution process under Part B			
B.	Number of accounts where resolution plan has been implemented under this window			
C.	Exposure to accounts mentioned at (B) before implementation of the plan			
D.	Of (C), aggregate amount of debt that was converted into other securities			
E.	Additional funding sanctioned, if any, including between invocation of the plan and implementation			
F.	Increase in provisions on account of the implementation of the resolution plan			