
Bajaj Finance Limited

Policy on Resolution Framework 2.0 for COVID-19 Related Stress for Individual, Small Businesses & MSME Loans

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1 Introduction

Bajaj Finance Limited (hereinafter referred to as “BFL” or “Company”) is a Public Limited Company incorporated under Companies Act, 1956 and governed by Directives of Reserve Bank of India .

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 recent months, RBI vide its circulars No RBI/2021-22/31/DOR.STR.REC.11/21.04.048/2021-22 on Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses and RBI/202122/32/DOR.STR.REC.12/21.04.048/2021-22 on Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) dated May 05, 2021 allowed restructuring under Resolution framework 2.0. RBI circular requires each lending institution to put in place a Board approved policy detailing the way such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.

2 Objective and Scope

Primary objective of this policy is to provide another round of relaxation to borrowers to mitigate the burden of debt servicing obligation brought about by disruption due to COVID-19 pandemic. Through this document, Company intends to establish a Resolution Framework for:

- Evaluation of impact during pandemic on repayment capacity of borrower(s) through appropriate due diligence;
- Assessment of suitable resolution plan to be provided to eligible borrowers;
- Offering suitable resolution plan agreed mutually;
- Implementation of mutually agreed resolution plan within the stipulated timeframe of these guidelines;
- Reporting and Provisioning methodology; and
- Laying down effective process for redressing the grievance of borrowers applying for or already under resolution framework.

Borrowers not fulfilling the eligibility criteria as per the framework laid out in this policy may be considered for resolution as per RBI circular on “Prudential Framework for Resolution of Stressed Assets Directions 2019” dated June 7, 2019 (“Prudential Framework”).

3 Definitions

- i) **Financial Service Provider:** As per section 3(17) of The Insolvency and Bankruptcy Code, 2016, Financial Service Provider means a person engaged in the business of providing financial services in terms of authorisation issued or registration granted by a financial sector regulator.
- ii) **Personal Loan:** Personal Loans refer to the loans given to individuals and consist of:
 - a) Consumer Credit;
 - b) Education Loan;
 - c) Loans given for creation/ enhancement of Immovable Assets (e.g., housing, etc.); and
 - d) Loans given for Investment in Financial Assets (shares, debentures, etc.).

iii) **Consumer Credit:** Consumer Credit refers to the loans given to individuals, which consists of:

- a) Loans for Consumer Durables;
- b) Credit Card Receivables;
- c) Auto Loans (other than loans for commercial use);
- d) Personal Loans secured by gold jewellery, immovable property, fixed deposits (including FCNR-B), shares and bonds, etc., (other than for business / commercial purposes);
- e) Personal Loans to Professionals (excluding loans for business purposes); and
- f) Loans given for other Consumption purposes (e.g. social ceremonies, etc.).

(Reference: RBI Circular dated January 4, 2018 under reference RBI/2017-18/117 DBR. No. BP.BC.99/08.13.100/2017-18 on XBRL Returns - Harmonization of Banking Statistics).

iv) **MSME Loans:** Classification of borrower will be done basis investment in Plant & Machinery along with turnover as below: (Ref. RBI Circular – Credit flow to Micro, Small and Medium Enterprises Sector under reference FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2,2020).

Classification	Micro	Small	Medium
Manufacturing and services enterprises	Investment in Plant & Machinery or Equipment: <=₹1 crore and Turnover: <=₹5 crore	Investment in Plant & Machinery or Equipment: <=₹10 crore and Turnover: <=₹50 crore	Investment in Plant & Machinery or Equipment: <=₹50 crore and Turnover: <=₹250 crore

v) **Restructured Account:** A restructured account is one where the NBFC, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the NBFC would not otherwise consider. Restructuring shall normally involve modification of terms of the advances / securities, which shall generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). However, extension in repayment tenor of a floating rate loan on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly shall not render the account to be classified as 'Restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, shall render the accounts to be classified as 'restructured accounts'.

vi) **Date of Invocation:** The date on which both the borrower and BFL have agreed to proceed with a resolution plan under this framework.

vii) **Implementation Period:** Time period not later than 90 days from the date of invocation.

4 Summary of Circulars

Sr. No.	Circular Reference and Date	Subject of Circular	Institution Covered
1	RBI/2015-16/101/DBR.No.BP.BC.2/21.04.048/2015-16 Dated July 1 2015	Prudential norms on Income Recognition, Assets classification and provisioning pertaining to advances	<ul style="list-style-type: none"> All Commercial Bank (excluding RRBs)
2	RBI/2018-19/203/DBR. No. BP.BC.45/21.04.048/2018-19 Dated June 7, 2019	Prudential framework for resolution of stressed assets	<ul style="list-style-type: none"> Scheduled Commercial Banks (excluding RRBs) All India Term Financial Institutions (NABARD, NHB, EXIM Bank, & SIDBI) Small Finance Banks (SFB) Systematically Important Non-deposit taking NBFCs and Deposit taking NBFCs
3	RBI/2019-20/160 DOR. No. BP.BC.34/21.04.048/2019-20 Dated February 11, 2020	Micro, Small and Medium Enterprise (MSME) Sector- Restructuring of Advances.	<ul style="list-style-type: none"> All Banks and NBFCs regulated by RBI
4	RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 Dated July 2, 2020	Credit flow to Micro, Small and Medium Enterprises Sector	<ul style="list-style-type: none"> All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks All-India Financial Institutions All Non-Banking Financial Companies
5	RBI/2020-21/16/DOR. No. BP.BC/3/21.04.048/2020-21 Dated August 6, 2020	Resolution Framework for COVID-19 - related Stress	<ul style="list-style-type: none"> All Commercial Banks (Including RRB/SFB/LAB) All Primary (Urban) Co-operative Banks /State Co-operative Banks / District Central Co-operative Banks All All-India Financial Institutions All NBFCs (including HFCs)
6	RBI/2020-21/17/DOR.No.BP.BC/4/21.04.048/2020-21 Dated August 6, 2020	Micro, Small and Medium Enterprise (MSME) sector- Restructuring of Advances	<ul style="list-style-type: none"> All Commercial banks (Inc. RRB/SFB/LAB) All Primary (Urban) Co-operative Banks /State Co-operative Banks / District Central Co-operative Banks

Sr. No.	Circular Reference and Date	Subject of Circular	Institution Covered
			<ul style="list-style-type: none"> All All-India Financial institutions All NBFCs
7	RBI/2021-22/31/DOR.STR.REC.11/21.04.048/2021-22 Dated May 5, 2021	Resolution Framework 2.0-Resolution of Covid-19 related stress of Individuals and Small Businesses	<ul style="list-style-type: none"> All Commercial banks (Inc. RRB/SFB/LAB) All Primary (Urban) Co-operative Banks /State Co-operative Banks / District Central Co-operative Banks All All-India Financial institutions All NBFCs(including HFCs)
8	RBI/2021-22/32/DOR.STRREC12/21.04.048/2021-22 Dated May 5, 2021	Resolution Framework 2.0-Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)	<ul style="list-style-type: none"> All Commercial banks (Inc. RRB/SFB/LAB) All Primary (Urban) Co-operative Banks /State Co-operative Banks / District Central Co-operative Banks All All-India Financial institutions All NBFCs (including HFCs)

5 Resolution Framework 2.0 : Extract of circulars

5.1 Applicability

Restructuring framework shall be applicable to below borrowers.

As per Circular RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 for Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses:

- 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 lending institutions to their own personnel/staff.
- 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.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.

As per Circular RBI/2021-22/32/DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 for Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

- Micro, small and medium enterprises (MSME) as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

However, the below listed categories of borrowers / credit facilities shall **not** be eligible for a resolution plan under the Resolution Framework:

1. Exceptions specified in paragraphs 25-28 of Prudential Framework for Resolution of Stressed Assets (i.e. restructuring in respect of projects under implementation involving deferment of date of commencement of commercial operations (DCCO), revival and rehabilitation of MSMEs, restructuring of loans in the event of a natural calamity and borrower entities in respect of which specific instructions have already been issued or are issued by the Reserve Bank to the banks for initiation of insolvency proceedings under the IBC).
2. Farm Credit Exposure (Excluding farmer/JLG loans for Agri allied activities viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture, 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 as per FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020).
3. Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
4. For exposures of lending institutions to financial service providers, Central and State Governments; Local Government bodies (e.g. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature and exposure etc.
5. Credit facilities provided to own personnel/staff.
6. Borrowers account (w.r.t circular issued for individual and small business) who have availed of any resolution in terms of the resolution framework 1.0 – subject to the special exemption for cases 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 maximum extension of residual tenure by 2 years 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.
7. Borrower accounts which was already restructured in terms of the 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 (collectively referred to as MSME restructuring circulars).

5.2 Resolution Framework for Small and Individual Businesses

Resolution plan will be applicable for Individual and small businesses subject to following conditions:

- i) Account should be classified as Standard with the Company as on March 31, 2021.
- ii) The decisions on requests/applications received by BFL from customers for invoking restructuring under this facility shall be communicated in writing to the applicant by BFL within 30 days of receipt of such requests/applications.
- iii) 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.
- iv) Resolution plan must be invoked latest by September 30, 2021 and must be implemented within 90 days from the date of invocation.
- v) In cases of loans of borrowers specified in Clause 5.1 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, BFL is 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 maximum 2 years.
- vi) 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.
- vii) 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.
- viii) The decision to invoke the restructuring under this facility shall be taken by BFL having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- ix) 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.
- x) BFL shall address grievances of the customers under the Resolution Framework – 2.0 as per its existing grievance redressal mechanism for customers.

- xi) The decisions on requests/applications received by BFL from customers for invoking restructuring under this facility shall be final and shall be communicated in writing to the applicant by BFL within 30 days of receipt of such applications.
- xii) The resolution plan shall be deemed to be implemented only if all the following conditions are met:
 - a) All related documentation, including execution of necessary agreements/terms and conditions between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented;
 - b) The changes in the terms of conditions of the loans get duly reflected in the books of lending institutions; and
 - c) Borrower is not in default with BFL as per the revised terms.

5.3 Resolution Framework for Micro, Small and Medium Enterprises (MSMEs)

1. The guidelines of the RBI shall be applicable for MSME Sector subject to following conditions:

- i) 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.
- i) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.
- ii) Borrower's account must be classified as Standard Asset as on March 31, 2021.
- iii) 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.
- iv) The borrower's account was not restructured in terms of the 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.
- v) The restructuring of the borrower account shall be invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the BFL 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 BFL from customers for invoking restructuring under this facility shall be communicated in writing to the applicant by BFL within 30 days of receipt of such applications.
- vi) The restructuring of the borrower account is implemented within 90 days from the date of invocation.

- vii) The decision to invoke the restructuring under this facility shall be taken by BFL having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
- viii) 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.
- ix) BFL shall address grievances of the customers under the Resolution Framework – 2.0 as per its existing grievance redressal mechanism for customers.
- x) All other instructions specified in the circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.

2. 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.

6. Assets Classification and Provisioning (For cases considered under Resolution Framework -2.0 for Resolution of COVID -19 related stress of Individuals and Small Businesses)

- i) 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.
- ii) 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").
- iii) In respect of borrowers where the resolution process has been invoked, lending institutions are 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.
- iv) If a resolution plan is implemented under this framework, BFL shall keep provision from the date of implementation as below:
 - i. Higher of provision as per IRAC norms just before implementation or 10% renegotiated debt exposure post implementation, this will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

Guidelines for reversal of provision in case of Individual and Small businesses

- i. 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.
- ii. For 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.

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.

7. Disclosure and Reporting (Resolution framework 2.0 for COVID-19 - related Stress of Individual and Small businesses)

i) Disclosures in Financial Statement:

- i. Quarterly statements (at minimum) in prescribed Format-X (Annexure 1) in financial statements for quarter ending September 30, 2021 to December 31, 2021.
- ii. The resolution plans implemented for individual and small businesses should also be included in the continuous disclosures required as per Format -B (Annexure -2) prescribed in the resolution framework 1.0.
- iii. The number of borrower accounts where modifications were sanctioned and implemented under 5.2(V), such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
- iv. Annual disclosure is mandatory.

- ii) **Credit Reporting:** All loan accounts restructured under this framework will be reported as “restructured due to Covid-19” to all Credit Information Companies.

8. Monitoring and Reporting - (MSME Sector – Restructuring of Advances)

As per RBI Circular - RBI/2018-19/17/DOR.No.BP.BC/18/21.04.048/2018-19 dated January 1, 2019 on MSME Sector – Restructuring of Advances, BFL shall make appropriate disclosures in the 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 million)

9. Assessment / Evaluation Process :

Step 1: Channels for Resolution Plan Request:

- i) 'notwithstanding Company's *suo motu* approaching to borrowers basis its internal assessment, the Company also accepts requests from our customers who approaches the Company on a standalone basis for granting OTR-2 after proving that COVID stress impacted their earning capacity. The decision on the same shall be with the Company and binding on the borrower.
- ii) Board approved policy for restructuring will be published on website of the BFL. Customer can approach BFL through prescribed channels of communication like service request, field staff, branch walk-in and digital channels.

Step 2: Evaluation:

- i) Business-wise Resolution Plan Product Programme (RPPP) will be prepared and approved by the Management Committee. Resolution plan will *inter alia* cover rescheduling of loan, extension of tenor, EMI / Principal / Interest moratorium, Flexi-pay option, BFL debt consolidation, etc.
- ii) Local / Central Team, as the case may be, would evaluate eligibility of the customer under the RPPP as per the prescribed due-diligence process laid down for the same. Local team / Central team may form the list of documented to be collected from the customer in order to assess the current stress he/she is into and the capacity of the customer for the proposed resolution plan.
- iii) Cases where no impact established due to COVID-19 or impact is prior to COVID-19 then case may be declined under this framework and communication of the same to be shared with customer through acceptable channel of communication in line with Fair Practice Code of the Company. These cases may be processed under Prudential Framework of RBI.
- iv) The decision on the application shall be communicated in writing to the applicant by BFL within 30 days of receipt of such applications.
- v) The Company may levy processing fees and or higher rate of interest on the loan while offering One-time resolution.
- vi) Resolution plan along with agreed commercials to be communicated to the customer through service desk / field team for further action.

10. Management Committee :

The implementation of these guidelines shall be entrusted to a Committee of Officers, as under:

- i) Chief Risk Officer;
- ii) President - Collections;
- iii) Chief Financial Officer;
- iv) President – Credit Operations; and
- v) General Counsel.

Approval of minimum 3 out of 5 members would be required in this regard. This committee can take decision for making necessary changes during the implementation. Any operational modification to this policy will rest with the Management Committee.

11. Saving Clause :

In case of any inconsistency between this Policy and relevant RBI guidelines, RBI guidelines shall prevail.

* * *

Annexure 1: Format X

SI No.	Description	Individual Borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of request received for invoking resolution process under Part A			
(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			

Annexure 2: Format B

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 Loan					
Corporate persons (as defined in IBC section3(7))					
<i>Of which, MSMEs</i>					
Others					
Total					

* * *