

BRIEF BACKGROUND:

To alleviate the stress on account of Covid19, RBI vide its circular DOR. No. BP.BC/3/21.04.048/2020-21 dated Aug 6, 2020 has provided a window to enable the lenders to implement resolution Plan in respect of eligible corporates without change in ownership, and personal loan, while classifying such exposure as standard, subject to specified conditions. Considering the resurgence of Covid in recent weeks beginning March 2021 and consequent measures taken by authorities to check the spread of the pandemic may impact the recovery process, and with objective to alleviating the potential stress to individual borrowers, small business (other than MSME), and MSME, RBI has rolled out measures on May 5, 2021 vide circular RBI/2021-22/31 DOR.STR, REC.11/21.04.048/2021-22 (related to individual and small business) and RBI/2021-22/32 DOR.STR, REC.11/21.04.048/2021-22 (related to MSME) and relevant amendments on 4th June 2021 The relevant details of which are as under --

Resolution Framework 2.0 provided by RBI as per circular dated May 5, 2021 along with amendments made on 4th June 2021 (Part A)

The Resolution framework deals with requirements specific resolution of advances to individuals and small business and working capital support to individuals who have availed loans for business purposes, as well as small business where resolution plans were implemented previously. RBI has permitted the NBFC to provide resolution plan which will inter alia includes rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, revisions in working capital sanctions, or granting of moratorium, based on income stream of borrower, subject to maximum of two years extended tenure. Correspondingly, the overall tenor of the loan may also get modified accordingly. The moratorium period, if granted, shall come into

force immediately upon implementation of resolution plan. Compromise settlement are not allowed under this plan.

The resolution plan can be offered to following set of customers provided the customer has only on account of Covid19–

A. Individuals who has availed of personal loan (personal loan as defined in circular DBR. No. BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking statics) , excluding the credit facilities provided by lending institution to their own personnel/staff.

B. Individual who have availed of loans and advances for business purpose and to whom all the lending institutions have aggregate exposure of not more than Rs. 50 Crores as on March 31, 2021.

C. Small business, including those engaged into retail and wholesale trade, other than those classified as Micro, Small and Medium Enterprises (MSME) as on March 31,2021, and to whom all the lending institutions have aggregate exposure of not more than Rs. 50 Crores as on March 31,2021.

D. Borrower classified as MSME as on 31st March 2021 as per Gazette notification SO 2119 (E) dated June 26.2020 provided all of the below is satisfied.

1. It is GST registered as on date of implementation of the restructuring (not applied to MSME which are exempt from GST registration).

2. Aggregate exposure including non-fund based facilities of all lending institution does not exceed Rs. 50 crores as on 31st March 2021

3. The MSME account has not been restructured earlier as per 2 circulars (Circular number BP/BC/3 and BP/BC/4 dated Aug 6, 2020 or circular dated Feb 11, 2020 or circular dated Jan 1, 2019 (collectively referred as MSME Restructuring circular)

4. If the borrower is not registered for 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.

The above 4 categories of customers are eligible, provided –

The Credit facilities to the borrower at party level was classified as “Standard” by the lending institution as on March 31, 2021.

The borrower had not availed any resolution under Resolution framework dated Aug 6.2020 subject to specific exemption applicable for A, B and C above* and the customer is not part of exclusion list as mentioned below.

*Exemption to customers who has availed under Resolution framework dated Aug 6, 2020 can avail the resolution in this plan provided overall cap in moratorium and / or extension of residual tenor granted under Resolution Framework -1.0 and Framework 2.0, combined shall be 2 years.

Exclusion list --

- a) Credit facilities provided by the KMPL to their own personnel/staff.
- b) Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated), on priority sector lending, or other relevant instructions as applicable to specific category of lending institutions.
- 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 to financial service providers as in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016.
- e) Exposures to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

The resolution plan shall be deemed to be implemented only if all of the following conditions are met:

- a. All related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lender concerned in consonance with resolution plan being implemented.
- b. The changes in the terms of conditions of loans gets duly reflected in the books of the lending institutions; and
- c. Borrower is not in default with the lending institutions as per revised terms.

The lending institution shall frame board approved policies pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to borrowers having stress on account of Covid19. The board approved policy, shall, inter alia, detail the eligibility of borrowers in respect of whom the lending institutions may 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 borrowers.

The reference date for the outstanding amount of debt that may be considered for resolution shall be March 31, 2021. The lending institution shall provide the mechanism for redressal of grievance of borrower who request for resolution under this window and /or undergoing resolution under this window.

Any resolution plan implemented in breach of stipulations of this circular shall be fully governed by Prudential Framework of Resolution of Stressed Assets issued on June 7, 2019.

KMPL's policy for providing the said relief to borrowers (covered under Part A of the circular – Resolution of stress in personal loans)

This policy is applicable to --

1. Loans which qualify the criteria as defined by RBI in its circular.
2. The loan where borrower is individual, small business, MSME and loan is availed on or before March, 31,2021
3. In case of individual, the borrower should be individual other than employee of KMPL.
4. The borrower should be under Covid19 Stress.
5. The borrower should have KMPL Account classified as "Standard" but not in default for more than 89 days with KMPL as on March 31, 2021.

The date of agreement execution as per this policy both by borrower and KMPL shall be taken as the date of invocation for this purpose. The resolution plan has to be invoked on or before September 30, 2021 and must be implemented within 90 days from date of invocation.

KMPL will consider Resolution plan for eligible borrowers, who wish to avail and make an application to KMPL for --

- Resolution plan for term loan dues including all charges
- Resolution plan for working capital finance and other loans dues including all charges

KMPL's policy for providing the said relief to borrowers (Part B of the RBI circular dated May 5,2021– Working capital support for small business where resolution plans were implemented previously)

This plan is available only for borrowers who have availed resolution under Resolution framework dated Aug 6, 2020 and provided the borrower meets the definition as mentioned Part A above. In such case, lending institutions are permitted, as 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 margin, etc. without the same being considered as restructuring. The decision with regard to above shall be taken by KMPL by September 30,2021, with 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. Further KMPL shall satisfy itself that such measures are necessitated on account of economic fallout from Covid19 and it will be subject to consequent supervisory review with regard to their justifiability. All other provisions of part A- criterion of eligibility, Asset Classification and provisioning, Disclosure and Credit reporting will apply.

All customers, who wish to avail the Resolution framework for Covid 19 stress, including those who might have availed the resolution under RBI Resolution Framework dated Aug 6, 2020 will have to apply to KMPL for the Restructuring via official application on KMPL website (www.primeloans.com) specifically created for this purpose or any other modes as acceptable to KMPL and provide the relevant details in online application form. KMPL would consider the customer's request as received above and the customer would be duly intimated about the decision within 30 days of receipt of application along with the applicable terms and conditions. The cases which are duly approved by KMPL on or before September 30, 2021 shall be implemented subject to fulfillment of all conditions of approval within 90 days from date of approval or December 29, 2021 whichever is earlier.

The authority to grant the relief under this policy has been granted to the Business Head or as delegated by him.

For redressal of grievance of customers who have applied for resolution under this policy or undergoing the resolution under this plan, the redressal mechanism would be as under –

Level 1- Branch Customer Service Team

Level 2- Regional Customer Service Team

Level 3- National Customer Service Head

A. Resolution Plan:

Moratorium or restructuring shall be executed in such way that Total balance tenure from date of invocation (including the benefit availed, if any, as per Resolution Framework 1.0 dated Aug 6 2020) is not increased by more than 24 months from original contractual maturity date.

The repayment schedule shall get modified with respect to rate of interest, collateral and for the tenure as agreed by KMPL and customer. Moratorium if any, will be implemented immediately from date of invocation.

KMPL would be present the repayment instruments, provided by the borrowers, for collection as per the respective due dates basis the new repayment schedule agreed upon.

B. Due Diligence considerations:

KMPL Due diligence criterion for this purpose includes –

1. The Borrower should be eligible as per RBI definition for Resolution under this plan. The customer should not be part of exclusion list as defined above
2. The account should be standard and not be more than 89 days overdue at party level as of 31st March 2021.
3. The customer has stress only on account of Covid19, and has capacity and willingness to pay as per resolution plan offered by KMPL. KMPL would examine all requests received in this regards basis any of the following - customers past track record (Pre Covid19), geography, sector, segment, profile, debt serving capability, liquidity, the credit Bureau Score, internal score, loan to value in case of loans secured against collateral, total number of loans/ credit cards availed, etc. depending on the nature of exposure and type of

borrower to decide the impact of Covid on customer's current repayment capacity and future repayment capacity.

4. The borrower should not be under any legal recovery proceedings including IBC / NCLT / Sarfaesi filed on or before 31st March 2021.
5. The borrower should not have been classified as willful defaulter/ Red Flagged Account (RFA)/ Fraud classified by KMPL / other financial institutions including banks. Borrowers / promoter directors/partners who are classified as willful defaulters / fraud with any lender shall not be eligible for restructuring relief / additional finance under this policy. Fraud classification may be identified by check of Central Fraud Registry. However, as provided by RBI, there may be cases of fraud/malfeasance where the existing promoters are replaced by new promoters and the borrower company is totally delinked from such erstwhile promoters/management. In such cases, the KMPL may take a view on restructuring of such accounts based on their viability, without prejudice to the continuance of criminal action against the erstwhile promoters/management.

C. Legal & documentation matters:

- Loan specific conditions may be modified/ laid down by KMPL for the above relief.
- Concessions/reliefs granted under this policy is subject to requisite documentation to satisfaction of KMPL.
- All other terms and conditions under the Loan agreement, Facility Documents and various other documents that have been executed between customer and KMPL shall continue to be effective, binding and enforceable.

D. Asset Classification and Provisioning:

- In respect of personal loans where a resolution plan is implemented under this facility, KMPL shall keep provision from date of implementation, which are higher of the provision 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).
- Upon the implementation of resolution Plan implemented as per this policy, the asset classification of borrower accounts classified as standard may be retained as such upon implementation, whereas the borrower accounts' which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on date of implementation of plan. The reporting to credit

information companies (CICs) and other statutory authorities shall be made in line with the same.

- As per RBI provisions, in respect to borrowers, where the resolution plan has been invoked, lending institutions are permitted to sanction additional finance even before implementation of the plan in order to meet interim liquidity requirement of the borrower. The additional finance facility may be classified as 'Standard' till implementation of plan regardless of actual performance of the borrower in the interim. However, if resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per actual performance of the borrower with respect to such additional finance or performance of rest of credit facilities, whichever is worse. Accordingly, KMPL, subject to provisions of this policy, may grant additional finance to extent of 10% of original amount financed in case of Term loans (i.e. Non-Revolving Facility) and 20% in case of funding in case Revolving finance facility.
- In case of these loans, half of the provisions may be written back upon borrower paying at least 20 per cent of residual debt without slipping into NPA at party level at month end post implementation of plan and remaining half may be written back upon the borrower paying another 10 per cent of residual debt without slipping into NPA at party level at month end 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.
- After implementation of resolution plan, the subsequent asset classification will be governed by the criterion laid down under RBI master circular on Prudential norms on income Recognition, Asset Classification and provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to KMPL.

E. Disclosure and Credit Reporting:

As specified by RBI, KMPL shall make the following disclosures in published quarterly financials:

1. Quarterly financial statements include disclosures as per the format prescribed by RBI inform time to time in the financial statements for the quarters ending September 30, 2021 and December 31, 2021. This covers personal loans, loans to individuals for business purposes, small businesses.

2. The resolution plans implemented in terms of this COVID resolution framework 2.0 should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework 1.0, i.e. RBI circular dated 6th Aug 2020.
3. The number of borrower accounts where modifications to resolution plans were sanctioned and implemented in terms of second para of section 6 (b) above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
4. The credit reporting by the Bank respect of borrowers where the resolution plan is implemented under this framework shall reflect the “restructured due to COVID-19” status 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.

F. Validity of the policy:

This policy shall be valid up to December 31, 2021 or as per time frame extended by RBI from time to time.