



**RBI RESOLUTION POLICY
(COVID-19)**

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1. Introduction

Non-Banking Financial companies (NBFCs) form an integral part of the Indian financial system. **Nitstone Finserv Pvt. Ltd;** (hereinafter referred to as the Company) has received the license from Reserve Bank of India on 10th July 2018 to commence / carry on the business of Non-Banking Financial Company ('NBFC') without accepting deposits from public.

Objective of formulating this Policy is to alleviate the potential stress to individual borrowers and small business due to 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. Also to implement the regulatory measures as is introduced by RBI for all NBFCs vide circular DOR.STR.REC.11/21.04.048/2021-22 dated 5th May 2021.

2. Eligibility of Borrowers:

The following borrowers shall be eligible for the window of resolution:

- a. 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 the company to their own personnel/staff.
- b. Individuals who have availed of loans and advances for business purposes and to whom the company have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.
- c. 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 company have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Provided that:

- The borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption that 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, the company 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 overall cap of 2 years, and the consequent changes necessary in the terms of the loan for implementing such extension.
- The credit facilities / investment exposure as on March 31, 2021 to the borrower was classified as Standard by the company.
- 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).

Brief note on Resolution Framework-1.0:

On August 6, 2020, the Reserve Bank of India ("RBI") issued a circular on 'Resolution Framework for COVID-19 related Stress' ("Resolution Framework") providing for a resolution window under the existing RBI (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 ("Prudential Framework"), with a view to mitigate the financial stress faced by borrowers on account of the economic fallout of the COVID-19 pandemic.

The Prudential Framework provides for recognising incipient stress in loan accounts and a principle-based resolution framework for addressing such defaults in a normal scenario. However, any concession offered to a borrower under such a resolution framework leads to a downgrade in the asset classification of the borrower's account, except in case of change in ownership in the prescribed manner

3. Features of resolution plan and implementation measures:

- 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 resolution plan also provides 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.
- c) The resolution plan will 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.
- d) 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.
- e) In respect of borrowers where the resolution process has been invoked, the company can 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.
- f) The company 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 company 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.

- g) 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.
- h) 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.
- i) 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.
- j) In respect of borrowers specified at sub-clauses (b) and (c) of Clause 2 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, the company can 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 will be taken by the company 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.
- k) The above measures shall be contingent on the company 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.
- l) In order to apply for the resolution plan, the company provides the customers with the facility to write to the company from their registered email address at govindankutty.e@nitstone.com with their mobile number and loan account number.
- m) The Company shall try to reach their customers, through various mediums like Text messages, emails, Voice blast to educate them about these provisions.

4. Role of the Board of Directors:

The Board to carry out the following activities with regard to resolution plan arrangements:

- To approve the Resolution Policy in order to implement the measures for the customers.
- To ensure that the above instructions are properly communicated down the line in their respective organizations, and clear instructions are issued to their staff regarding their implementation.

5. Disclosures and Credit Reporting:

- a) The company shall make as per the format prescribed in Format-X disclosures in their annual financial statements, along with other prescribed disclosures.
- b) The number of borrower accounts where modifications were sanctioned and implemented and the aggregate exposure of the company to such borrowers may also be disclosed.
- c) The credit reporting by the company 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.

Format – X

Format for disclosures to be made in the annual financial statements.

Sl. No.	Description	Individual Borrowers		Small Businesses
		Personal Loans	Business Loans	
(A)	Number of requests 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 I – RBI Circulars Referenced for this Policy

Sr. No.	Circular Reference Number	Description
1	DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020, April 17, 2020 and May 23,2020	COVID-19 – Regulatory Package
2	DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020	“Resolution Framework for COVID-19-related Stress”
3	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
