



Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses

Introduction

RBI vide circular (RBI/2021-22/31 DOR.STR.REC.12/21.04.048/2021-22) dated May 05, 2021 on “Resolution Framework 2 - Resolution of Covid 19 related stress of Individuals and Small Businesses (ISBs)” has provided measures for offering resolution plan in order to alleviate the potential stress of ISBs on account of Covid 19.

The lending institutions are permitted to offer a limited window to ISBs to implement resolution plan in respect of their credit exposures, while classifying the same as Standard upon implementation of the resolution plan.

This circular pertains to requirements specific to resolution of advances to individuals and small businesses and next part 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. The last part lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window.

Resolution of advances to individuals and small businesses

Lending institutions are 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.

Eligibility

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

- 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 lending institutions to their own personnel/staff.
- b) 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.
- 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 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 22 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.

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Invocation of resolution process

1. The company shall ensure that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The company shall assess the detail of the eligibility of borrowers in respect of whom the Company shall be willing to consider the resolution and offer this facility post due diligence.
2. The resolution process under this window shall be treated as invoked when the Company 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 Company from customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the policy shall be completed, and the decision on the application shall be communicated in writing to the applicant within 30 days of receipt of such applications. In order to optimise the processing time, the Company processes these loan applications through product-level standardized templates and process.
3. The decision to invoke the resolution process under this window shall be taken independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
4. The last date for invocation of resolution permitted under this window is September 30, 2021.

Permitted features of resolution plans and implementation

1. 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.
2. 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.
3. 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 as per Resolution Framework – 1.0.
4. 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.
5. 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 as per Resolution Framework 1.0 are met.

Asset classification and provisioning

1. 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.
2. 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

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and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions ("extant IRAC norms").

3. 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.
4. 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.
5. 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.

6. 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.

Convergence of the norms for loans resolved previously

1. In cases of loans of borrowers specified in 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, 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 the caps mentioned in this policy, 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.*
2. This modification shall also follow the timelines as per this policy. For loans where modifications are implemented in line with Clause of this policy, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

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

1. In respect of borrowers specified in Resolution Framework – 1.0, the Company 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 the Company by September 30, 2021, with the margins and working capital limits

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being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

2. The above measures shall be contingent on the Company satisfying itself 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.

Disclosures and Credit Reporting

1. The Company publishing quarterly financial statements shall, at the minimum, make disclosures as per the format prescribed Format in their financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of above part of this framework shall also be included in the continuous disclosures required as per Format prescribed in the Resolution Framework – 1.0.
2. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause in this policy, 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.
3. The Company shall make the required disclosures in annual financial statements, along with other prescribed disclosures as required and applicable.
4. The credit reporting by the Company in respect of borrowers where the resolution plan is implemented under above part of this window 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.

Grievance Redressal Process

The borrower who have applied for the resolution plan may file their grievance, if any, on the following link: <https://www.tmf.co.in/login/customer>.

The borrower may also lodge their grievance on phone number +91 18002090188 or write to the Company at:

Customer Care Department
Tata Motors Finance Ltd
2nd Floor, A Wing, I Think Techno campus,
Off Pokhran Road No 2,
Thane (West), Maharashtra 400 601.

Email id – customercare@tmf.co.in

The grievance Redressal process of the Company is available on the website at

<https://www.tmf.co.in/login/customer>

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