A. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)

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

he facility shall be extended for restructuring existing loans without a downgrade in the asset classification subject to the 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.

(ii) 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 obtaining exemption limit as on March 31, 2021.

(iii) The aggregate exposure, including non-fund-based facilities, of all lending institutions including STCI, to the borrower does not exceed ₹25 crore as on March 31, 2021.

(iv) The borrower's account was a 'standard asset' as on March 31, 2021.

(v) 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 (collectively referred to as MSME restructuring circulars).

Due diligence considerations to be followed by STCI to establish the necessity of implementing a resolution plan:

(vi) The resolution plan submitted by the borrower shall consider the effect of the pandemic on operations of the company including sales, status of regulatory approvals, impact on labour and other functions impacting its financials with respect to Fund Flow & Cash Flow.

(vii) The resolution plan shall be supported by revised projections of cash flow.

(viii) STCI shall consider the pre-Covid-19 operating and financial performance of the borrower and impact of Covid-19 on its financials, cash flows in subsequent years and various financial ratios at the time of finalising the resolution plan. Finalization of the resolution plan will also be subject to maintenance of minimum asset cover as stipulated in the Lending Policy of STCI.

(ix) The various due diligences that shall be carried out as part of due diligence exercise while evaluating the resolution plan are detailed below:

   a. Credit Information Report (CIR) of Borrowers/Obligors from CIBIL / CRIF shall be verified.
   b. Status report shall be obtained from other lenders of the borrower.
   c. Financial Due Diligence / Stock Audit shall be carried out.

d. Wherever additional security of immovable property is being obtained, Title Search and Investigation shall be carried out by empanelled advocates. Valuation of the additional security shall be done by empanelled valuers.
e. ROC search and CERSAI search of the additional security shall be carried out.
f. All related documentation, including executing of necessary agreements with the borrower/creation of security charge/perfection of securities shall be completed in consonance with the resolution plan being implemented.
g. The new capital structure and/or changes in the terms of conditions of the existing loans shall be duly reflected in the books of STCI and the borrower.
h. Implementation of the plan shall be subject to due diligence results to the satisfaction of STCI.
i. Sanctioning Authority for the resolution plan shall be the Credit Committee of Executives of STCI.

Invocation of resolution process
Permitted features of resolution plan and implementation:

(x) The restructuring of the borrower account shall be invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when STCI 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 STCI from borrowers for invoking restructuring under this facility shall be communicated in writing to the applicant by STCI within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by STCI independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

(xi) The restructuring of the borrower account shall be implemented within 90 days from the date of invocation.

(xii) 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.

(xiii) A restructuring would be treated as implemented if the following conditions are met:

a. all related documentation, including execution of necessary agreements between STCI and borrower / creation of security charge / perfection of securities are completed; and

b. the new capital structure and / or changes in the terms and conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.

Grievance redressal

(xiv) STCI shall have the following grievance redressal mechanism that clearly lays down the recourse available to a borrower who has made a request for resolution under this plan and wants to raise grievance regarding the resolution process.

a. Borrowers who request for resolution under the window and / or are undergoing resolution under this window may approach the Compliance Officer of STCI for redressal of grievance, if any.
b. The borrower's request shall be submitted by the Compliance Officer to the respective department, which shall process the request and submit the same to the next higher sanctioning authority.
c. The Credit and Investment Committee of the Board of Directors, which is the next higher authority shall have the power to redress the dispute.
d. Decision regarding the redressal shall be communicated to the aggrieved borrower within 45 days from the date of raising the grievance.

Asset classification and provisioning

(xv) Upon implementation of the restructuring plan, STCI shall keep provision of 10 percent of the residual debt of the borrower.

(xvi) All other instructions specified in the circular DOR.No.BP.BC.4/21.04.048/2020-21 dated August 6, 2020 shall remain applicable.

(xvii) In respect of restructuring plans implemented as per the conditions listed 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.

Convergence of the norms for loans resolved previously.

(xviii) In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, STCI shall, as a one-time measure, 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 STCI by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by STCI at least on a half yearly basis and the renewal / reassessment at least on an annual basis.

(xix) The above measures shall be contingent on STCI satisfying itself that the same is necessitated on account of the economic fallout from Covid-19.

Disclosures and Credit Reporting

(xx) STCI shall make appropriate disclosures in its financial statements, under 'Notes on Accounts', relating to the MSME accounts restructured as per the required format.

This policy is to be read in consonance with the extant RBI guidelines/circulars. Subsequent RBI guidelines/circulars on the subject policy matter shall also form part of this policy and will become operative from the issuance date / effective date. The matters not dealt in this policy shall be guided by the extant guidelines/circulars issued by RBI from time to time.

B. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Small Businesses

Part A of the Policy pertains to requirements specific to resolution of advances to small businesses and Part B pertains to working capital support for small businesses, where resolution plans were implemented previously. Part C lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window.

A. RESOLUTION OF ADVANCES TO SMALL BUSINESSES

Lending institutions are permitted to offer a limited window to individuals 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 in the RBI Circular DOR.STR.REC.11/21.04.048/2021-22/31 dated May 5, 2021. Accordingly, STCI would offer a limited window to its borrowers to implement resolution plans subject to the conditions specified hereafter.

At present STCI does not have exposure to individual borrowers, hence this policy shall be applicable for small businesses.

1. The following borrowers shall be eligible for the window of resolution to be invoked by STCI:

   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 including STCI have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

2. Provided that the borrower accounts / credit facilities shall not belong to the following categories:-

   - MSME borrowers whose aggregate exposure to lending institutions collectively is Rs.25 crore or less as on March 1, 2020.
   - Exposure of STCI to financial service providers.

3. 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 under the para on “Convergence of the norms for loans resolved previously” detailed in Clause no. 27 and 28 hereunder.
4. Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.
5. Any resolution plan implemented in breach of the stipulations of the circular no. DOR.STR.REC.12/21.04.048/2021-22/32 dated May 5, 2021 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.

Due diligence considerations to be followed by STCI to establish the necessity of implementing a resolution plan:

6. The resolution plan submitted by the borrower shall consider the effect of the pandemic on operations of the company including sales, status of regulatory approvals, impact on labour and other functions impacting its financials with respect to Fund Flow & Cash Flow.
7. The resolution plan shall be supported by revised projections of cash flow.
8. STCI shall take into account the pre-Covid-19 operating and financial performance of the borrower and impact of Covid-19 on its financials, cash flows in subsequent years and various financial ratios at the time of finalising the resolution plan. Finalization of the resolution plan will also be subject to maintenance of minimum asset cover as stipulated in the Lending Policy of STCI.
9. The various due diligences that shall be carried out as part of due diligence exercise while evaluating the resolution plan are detailed below:

    a. Credit Information Report (CIR) of Borrowers/Obligors from CIBIL / CRIF shall be verified.
    b. Status report shall be obtained from other lenders of the borrower.
    c. Financial Due Diligence / Stock Audit shall be carried out.
    d. Wherever additional security of immovable property is being obtained, Title Search and Investigation shall be carried out by empanelled advocates.
    e. ROC search and CERSAI search of the additional security shall be carried out. Valuation of the additional security shall be done by empanelled valuers.
    f. All related documentation, including executing of necessary agreements with the borrower/creation of security charge/perfection of securities shall be completed in consonance with the resolution plan being implemented.
    g. The new capital structure and/or changes in the terms of conditions of the existing loans shall be duly reflected in the books of STCI and the borrower.
    h. Implementation of the plan shall be subject to due diligence results to the satisfaction of STCI.
    i. Sanctioning Authority for the resolution plan shall be the Credit Committee of Executives of STCI.

Invocation of resolution process

10. The resolution under this facility is provided only to the borrowers having stress on account of Covid-19.
11. The resolution process shall be treated as invoked when STCI and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower.
12. The decision on the application shall be communicated in writing to the applicant by STCI within 30 days of receipt of such applications.

13. The decision to invoke the resolution process under this window shall be taken by STCI independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.
14. The last date for invocation of resolution permitted under this window is September 30, 2021.

Permitted features of resolution plans and implementation:

15. The resolution plans implemented under this window shall 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.
16. 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.
17. Provision 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, which are as follows:

    "30. The resolution plan may provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, provided the amortisation schedule and the coupon carried by such debt securities are similar to the terms of the debt held in the books of the lending institution, post implementation of the resolution plan. The holding of such instruments by the lending institution shall be subject to the extant instructions on investments as applicable to it.

    31. The valuation of equity instruments issued, if any, shall be governed by the provisions of Paragraphs 19(c) and 19(d) of the Annex to the Prudential Framework whereas debt securities shall be valued as per the instructions compiled at Paragraph 3.7.1 of the Master Circular - Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015 (as amended from time to time), or other relevant instructions as applicable to specific category of lending institutions.

    32. In case the lending institution converts any portion of the debt into any other security, the same shall collectively be valued at Re.1."

18. 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.

19. The resolution plan shall be finalized 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 the following conditions are met:

    - all related documentation, including execution of necessary agreements between STCI and borrower and collaterals provided, if any, to be completed in consonance with the resolution plan being implemented;
    - the changes in the terms of conditions of the loans get duly reflected in the books of STCI;
    - borrower is not in default with the lending institution as per the revised terms.

Grievance redressal

20. STCI shall have the following grievance redressal mechanism that clearly lays down the recourse available to a borrower who has made a request for resolution under this plan and has grievance regarding the resolution process.

    i. Borrowers who request for resolution under the window and / or are undergoing resolution under this window may approach the Compliance Officer of STCI for redressal of grievance, if any.
    ii. The borrower's request shall be submitted by the Compliance Officer to the respective department, which shall process the request and submit the same to the next higher sanctioning authority.
    iii. The Credit and Investment Committee of the Board of Directors, which is the next higher authority shall have the power to redress the dispute.
    iv. Decision regarding the redressal shall be communicated to the aggrieved borrower within 45 days from the date of raising the grievance.

Asset classification and provisioning

21. If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard shall be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation shall be upgraded as Standard, as on the date of implementation of the resolution plan.
22. The subsequent asset classification for such exposures will be governed by the criteria laid out in the RBI 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 NBFCs ("extant IRAC norms").
23. In respect of borrowers where the resolution process has been invoked, STCI may 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 shall 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.

24. STCI 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 STCI 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.
25. Half of the above provisions shall 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 shall be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently. *Provided that* 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.
26. 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.

27. In case of loans of borrowers specified in Clause 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, STCI shall 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 16 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.
28. This modification shall also follow the timelines specified in Clauses 12, 14 and 19 above. For loans where modifications are implemented in line with Clause 27 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

B. WORKING CAPITAL SUPPORT FOR SMALL BUSINESSES WHERE RESOLUTION PLANS WERE IMPLEMENTED PREVIOUSLY

(Does not apply to STCI as no resolution plan has been implemented previously under Resolution 1.0)

C. DISCLOSURES AND CREDIT REPORTING

29. Wherever applicable, STCI shall, at the minimum, make disclosures as per the format prescribed in Format-X (which forms part of RBI Circular no. DOR.STR.REC.11/21.04.048/2021-22/31 dated May5, 2021 attached as annexure to this policy) in their financial statements for the quarters ending September 30, 2021 and December 31, 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.

30. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 27 above, and the aggregate exposure of STCI to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.
31. STCI shall make the required disclosures in its annual financial statements, along with other prescribed disclosures.
32. The credit reporting by STCI in respect of borrowers where the resolution plan is implemented under Part A 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.

This policy is to be read in consonance with the extant RBI guidelines/circulars. Subsequent RBI guidelines/circulars on the subject policy matter shall also form part of this policy and will become operative from the issuance date / effective date. The matters not dealt in this policy shall be guided by the extant guidelines/circulars issued by RBI from time to time.

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