



THE COSMOS CO-OP. BANK LTD.

(Multistate Scheduled Bank)

**POLICY FOR IMPLEMENTATION OF RESOLUTION [RESTRUCTURING]
FRAMEWORK 2.0 FOR
MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**

Micro, Small and Medium Enterprises (MSMEs) are the backbone of the Indian economy and make a significant contribution to the country's GDP. RBI had, vide its circular DBR.No.BP.BC.18/21.04.48/2018-19 dt. January 1, 2019, permitted one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in asset classification.

Due to need to support the viable MSME entities on account of the fallout of COVID 19 RBI, vide its circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on "Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances", had extended the above scheme subject to certain conditions.

Now, 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. **With the objective of alleviating the potential stress to MSMEs RBI has once again extended the above facility for restructuring of existing MSME loans without a downgrade in asset classification vide its circular DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021.** Policy regarding the same is given below.

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SECTION – A

ELIGIBILITY:

- a) The borrower was 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
- b) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower did not exceed Rs.25 crore as on March 31, 2021.
- c) The borrower's account was a 'standard asset' as on 31.03.2021
- d) The restructuring of the borrower account should be invoked latest by September 30, 2021 and restructuring should be implemented within 90 days from the date of invocation. For this purpose, **the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. Thus it is similar to in-principle acceptance.** The decisions on applications received by the Bank from the borrower for invoking restructuring under this facility shall be communicated in writing to the borrower by the Bank within 30 days of receipt of such applications. In case of Consortium / Multiple banking arrangement the decision to invoke the restructuring under this facility shall be taken by the Bank independent of invocation decisions taken by other lending institutions having exposure to the same borrower.
- e) The borrowing entity should be 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
- f) 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.
- g) Upon implementation of the restructuring plan, the Bank shall keep provision of 10 percent of the residual debt of the borrower.
- h) Unit should be under stress on account of COVID-19 economic fallout and should be viable for considering under the restructuring plan.
- i) The borrower's account should not have been restructured earlier 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)



2. SANCTIONING AUTHORITY

Sanctioned Limit upto Rs.150 lakhs	AGM & DGM/GM
Sanctioned Limit above Rs.150 lakhs	One step above the original sanctioning authority

3. PROCESSING FEE

The Processing & Agreement Fee shall be the normal fee as applicable to new proposals. Any other expenses such as stamping, franking, inspection, valuation etc., are to be borne by the borrowers at actual basis.

4. RATE OF INTEREST

The applicable rate of interest post-restructuring will be as per the credit rating norms

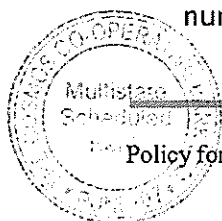
5. TIMELINES

Application date is the date on which duly completed application for restructuring of debt is submitted by the borrower to the Bank.

The restructuring process under this window shall be treated as invoked when the Bank and the borrower agree to proceed with the efforts towards finalizing a restructuring plan to be implemented in respect of such borrower. The decision i.e. in-principle acceptance in this regard shall be conveyed to the customer maximum within 30 days of receipt of the application for restructuring of debt from the applicant.

It is reiterated that invocation date is not the application date but it is the date on which the Bank communicates its willingness to proceed with the restructuring process to the borrower. In case of multiple / consortium banking, the decision to invoke the restructuring process under this framework shall be taken by our Bank independent of invocation decisions taken by other lending institutions having exposure to the same borrower. However if the securities are common, consent for modification of charge as per the sanction will be required from other lenders sharing common charge. Intimation regarding this requirement shall be given to other lenders at the time of invocation.

The restructuring process shall be treated as invoked in respect of any borrower if lending institutions representing 75 per cent by value of the total outstanding credit facilities (fund based as well non-fund based), and not less than 60 per cent of lending institutions by number agree to invoke the same.



The restructuring plan shall be treated as implemented, if all of the following conditions are met:

- All related documentation, including execution of necessary agreements with the borrower and creation/ extension of security (if applicable) are completed as per the restructuring plan.
- The changes in the terms and conditions of the loans are duly reflected in Bank's books / Finacle i.e. new tenure, repayment schedule etc
- Borrower has complied with all the terms and conditions as per the restructuring sanction letter

6. CUSTOMER CONNECT

- a. Policy will be made available on Bank's portal for public viewing.
- b. The head / in-charge of the respective sub-regional office / regional office shall be the nodal officer for redressing of grievances / customer complaints in respect of any applications under this restructuring framework.



SECTION-B

IDENTIFICATION OF STRESS DUE TO COVID-19

The above measures shall be contingent on the Bank 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.

The borrowers should approach their home Branches for availing restructuring under the above framework and should be able to demonstrate the financial stress being faced by them due to COVID-19. The objective of the Bank should be to satisfy that the borrower is facing such stress and the same shall be verified as under:-

- Reduction in turnover by 10% or more in the FY 2020-21 compared with the turnover of FY 2019-20. In case the turnover of FY 2019-20 is not available, the actual turnover of FY 2020-21 to be compared with the projections submitted for FY 2020-21. Turnover should be verified based on audited financials. In case audited financials are not available, provisional financials (preferably C.A. certified) may be accepted.
- GST returns of the individual / entity for last 6 months may be verified and compared with that of earlier period
- Details regarding temporary closure of the unit
- Repayment difficulties in the near future due to COVID impact



SECTION-C
GENERAL GUIDELINES REGARDING RESTRUCTURING PLANS FOR
STRESSED MSME BORROWERS UNDER RESOLUTION FRAMEWORK 2.0
AND PERMITTED FEATURES

The restructuring plans implemented under this window may inter alia include rescheduling of payments (including ballooning instalments), conversion of any interest accrued or to be accrued into funded interest term loan (FITL), 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 restructuring plan for this purpose.

The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the restructuring 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.

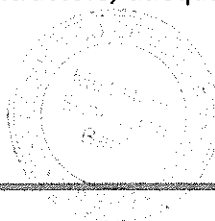
The restructuring plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, provided the amortization schedule and the coupon carried by such debt securities are similar to the terms of the debt held on the books of our Bank, post implementation of the restructuring plan.

If a borrower has been restructured earlier under UCB guidelines it is permitted to restructure again under the MSME Restructuring guidelines without downgrading the account in case of COVID related stress only.

However the borrower's account should not have been restructured earlier 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)

While allowing any of the above restructuring to the commercial borrowers, the sanctioning authority should invariably assess the viability of the proposed restructuring plan by taking TEV report and comment on the following parameters:

- Technical Appraisal (technology adopted, capacity vis-à-vis minimum economic size, technical collaboration/major contractors, adequacy of infrastructure, availability of raw material, utilities, etc.)



- Marketing Appraisal (past demand/supply analysis, demand/supply outlook for the future, major players in the industry, industry comparison, international scenario, etc.)
- Financial Viability: (income streams, financial parameters etc.)
- SWOT Analysis

Financial parameters / key ratios as outlined in Bank's Credit policy shall remain applicable.

Current accounts with other banks : Not permitted. They will have to be closed before implementation.

TEV report : TEV report can be taken from agency appointed by borrower.

Cap on additional exposure : Maximum additional exposure including FITL, WCTL, other TLs, Non-fund limits, additional working capital etc is permitted as under :

Loan O/s (A) as on invocation date	Maximum permitted additional exposure (B)
O/s upto 1 Cr	25 % of A
Above 1 Cr to 5 Cr	25 lakh or 20 % of A whichever is higher
Above 5 Cr to 10 Cr	1 Cr or 15 % of A whichever is higher
Above 10 Cr to 25 Cr	1.50 Cr or 15 % of A whichever is higher

Fund Infusion by borrower : Minimum 15 % of additional exposure (including FITL and WCTL) will have to be infused by the borrower in the form of Capital / Quasi capital at the time of implementation.

Restructuring plan should be finalized based on the outstanding balances as on the date of invocation.

PERMITTED FEATURES OF THE RESTRUCTURING PLAN:

I. Advances to MSMEs who have NOT availed any restructuring in terms of the earlier MSME restructuring circulars and whose aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed Rs.25 crore as on March 31, 2021



1. Term Loans and Demand Loans

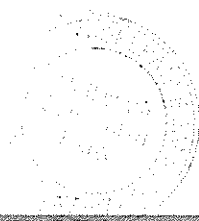
- i. Accounts should be standard on 31.03.2021. If any account attracts NPA norms after 31.03.2021, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.
- ii. Restructuring plan should be finalized based on the outstanding balances as on the date of invocation.
- iii. The future period of stress shall be assessed based on the borrower's declaration of projection of income and industry scenario.
- iv. Moratorium period, if granted, Restructuring tenure and Repayment as per revised terms will start from invocation date.
- v. Moratorium period may be allowed during the expected future period of stress, subject to a maximum of two years from invocation date. The future period of stress shall be assessed based on the borrower's declaration of projected income.
- vi. The extension of residual tenure may also be granted, with an overall cap of extension (including the moratorium period, if any) of 2 years.
- vii. In case overdue of principal exists at the time of implementation of the restructuring plan, it shall not be carried forward.
- viii. Any pending interest as on invocation date and / or future interest for a maximum period of one year from invocation date may be converted into a Funded Interest Term Loan (FITL), with the same rate of interest as that of the underlying facility and shall be repayable within a period of 3 years from the invocation date.
- ix. Moratorium of maximum 1 year may be sanctioned for repayment of monthly installments of such FITLs. However, monthly interest on such FITLs is to be paid/recovered, as and when debited.
- x. 100 % provision is required to be made against outstanding balance in such FITL accounts

2. Overdraft & Cash Credit Facility

- i. Accounts should be standard on 31.03.2021. If any account attracts NPA norms after 31.03.2021, it should be classified as NPA and the required provision should be made even though the restructuring application is received and is being processed for sanction. In such cases the asset classification of the borrower may be upgraded as Standard on the date of implementation.
- ii. Restructuring plan should be finalized based on the outstanding balances as on the date of invocation



- iii. The future period of stress shall be assessed based on the borrower's declaration of projection of income and industry scenario.
- iv. Any pending interest as on invocation date and / or future interest for a maximum period of one year from invocation date may be converted into a Funded Interest Term Loan (FITL), with the same rate of interest as that of the underlying facility and shall be repayable within a period of 3 years from the invocation date.
- v. Moratorium of maximum 1 year may be sanctioned for repayment of monthly installments of such FITLs. However, monthly interest on such FITLs is to be paid/recovered, as and when debited.
- vi. 100 %provision is required to be made against outstanding balance in such FITL accounts
- vii. Revision in working capital limit with any / all of the following actions:
 - a) Based on the elongation in working capital cycle due to the stress on COVID the working capital limit may be re-assessed and revised limits may be granted.
 - b) Roll over of Working Capital Demand Loan (WCDL) may be permitted by liquidating the old WCDL with sanction of fresh WCDL within the overall WC limit.
 - c) Roll over of Buyers Credit availed earlier shall be allowed as per revised working capital cycle.
 - d) Shortfall in Net Working Capital limit may be carved out and converted into WCTL to be repaid as per the projected cash flow. WCTL will be provided for a maximum period of 5 years with maximum moratorium period of 1 year. WCTL for shortfall in NWC to be calculated as per guidelines given in MSME restructuring circular i.e. NWC will be calculated as on the invocation date by working out **realizable current assets** (excluding obsolete inventory / stock, unrealizable debtors, debtors which cannot be realized within a maximum period of 6 months, any other items which are classified as current but are not realizable within one year) **minus** **unpaid creditors** (beyond available credit period), unpaid statutory dues, instalments of TLs payable in next 12 months, overdue instalments of TLs etc. Audit of stock and receivables to be done invariably in all cases to ascertain the realizable value of stock and receivables.
 - e) Reduction in margin on inventory up to 15 % and / or Extension of debtors period up to maximum by 90 days from the existing sanctioned level may be allowed (This shall be restored to earlier sanctioned levels on or before 31.03.2022). Extended debtors should be backed by collateral security / third party security.



II. Advances to MSMEs **who have availed restructuring** in terms of the earlier MSME restructuring circulars and whose aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed Rs.25 crore as on March 31, 2021

In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, Bank 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 Bank by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.



SECTION-D

PRUDENTIAL TREATMENT OF THE EXPOSURES IN RESPECT OF WHICH RESTRUCTURING PLANS ARE IMPLEMENTED UNDER THIS FRAMEWORK

1. ASSET CLASSIFICATION

Asset Classification upon restructuring - 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. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.

For the accounts, where restructuring plans had been implemented in terms of Resolution Framework – 1.0, the asset classification shall continue to be as per that Framework.

2. PROVISIONING REQUIREMENTS

In respect of accounts where a restructuring plan is implemented under this framework, Bank will keep the provisions from the date of implementation, which will be higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure of the lending institution post implementation (residual debt). In case of FITL accounts, the residual debt will be the sanctioned amount of FITL.

3. POST IMPLEMENTATION PERFORMANCE

After implementation of the restructuring plan in terms of this framework, No overdue / irregularity (including CC exceed / less DP) will be permitted for more than 30 days during specified period. There shall be no overdues at the end of the specified period. For this purpose specified period is defined as under:

Specified Period shall mean a period of one year from the commencement of the **first interest or principal whichever is later on the credit facility with the longest period of moratorium** under the terms of the restructuring package.

If satisfactory performance is not observed during specified period the borrower shall be downgraded with respect to the pre-restructuring repayment schedule.

4. REVERSAL OF PROVISIONS

Provision can be reversed at the end of specified period subject to satisfactory performance during and at the end of specified period.



SECTION-E
DISCLOSURE REQUIREMENTS WITH RESPECT TO THE RESTRUCTURING PLANS
IMPLEMENTED UNDER THIS FRAMEWORK

The credit reporting in respect of the borrowers where the (restructuring) plan is implemented under this facility will 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. The borrowers availing such facilities shall be accordingly informed about such reporting to CIC well in advance.

Bank shall make disclosure in format given below in respect of all MSME borrowers restructured under the earlier and present MSME guidelines

No. of accounts restructured	Amount (Rs. In lakhs)

Note: Policy on rehabilitation / restructure of MSMEs shall be referred for detailed information before carrying out any restructuring of MSMEs upto Rs.25 Crores. MSME units not complying the criteria mentioned therein may be considered for rehabilitation / restructure as per extant UCB guidelines.

sd/-
Joint Managing Director

Managing Director

